

3 Lawmen Killed in S. Africa

ANC Blamed For Bombing; 14 Wounded

JOHANNESBURG — Two car bombs exploded outside a courthouse here on Wednesday, killing three police officers and wounding five policemen and nine civilians.

It was the largest number of security officers killed in one incident in South Africa in nearly a year. The government blamed the attack.

South Africa has severely restricted the reporting of unrest or dissent. Correspondents may be fined or imprisoned for failing to submit to censors articles that contravene regulations.

on black guerrillas of the African National Congress.

The first bomb explosion was at the entrance of the magistrate's court building. It was followed by a more powerful one a minute later in a car parked across from a side entrance to the building, at the edge of the financial district.

The minister of law and order, Adrian Vlok, called the bombing "an unscrupulous deed, where members of the public, irrespective of race, sex or age, became the victims of cowardice of the ANC."

Wednesday was the fourth anniversary of the deadliest guerrilla bombing in South Africa's history, when 19 people were killed and more than 200 injured by a car bomb that exploded outside an office building in Pretoria.

The ANC, the main guerrilla movement fighting to overthrow the South African government, claimed responsibility for that bombing. The ANC has made no specific comment on the nearly 50 bombings in South Africa since a state of emergency was declared in June last year.

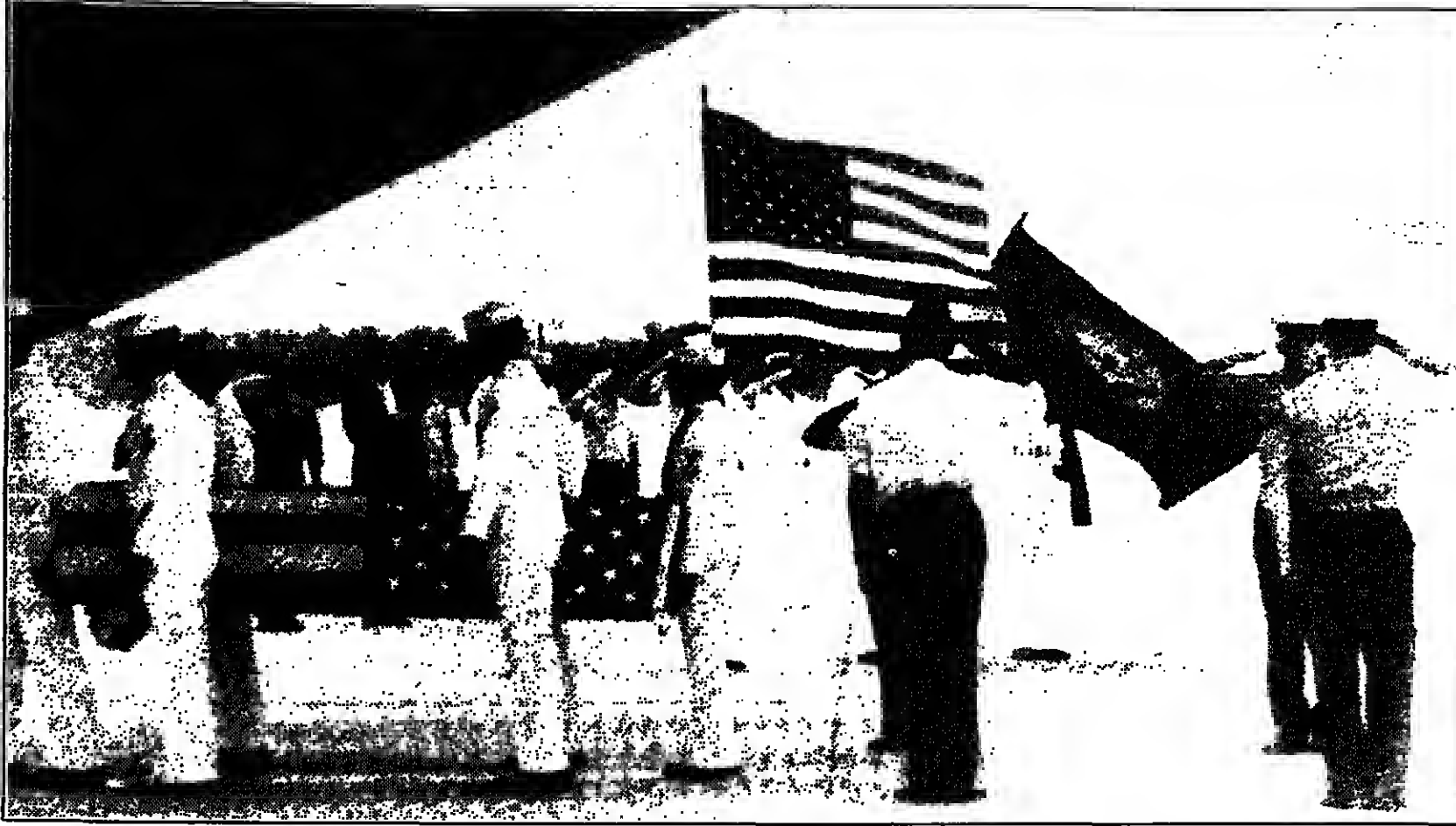
At police headquarters in Pretoria, a spokesman said that 20 of the officers wounded at the courthouse bombing had been seriously injured.

The independent South African Press Association said that about 20 photographers and television crewmen were taken into custody after they took pictures of the bombing scene from a nearby roof.

Angolan Charges Denied

South Africa denied on Wednesday allegations by Angola that its troops were operating deep inside the country. Reuters reported from

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The coffin of a U.S. sailor killed in the Stark attack was loaded aboard a military jet in Bahrain on Wednesday for transfer to West Germany.

Ship Activated Defenses As First of 2 Missiles Hit

MANAMA, Bahrain — The captain of the U.S. guided-missile frigate Stark said Wednesday that his crew had only seconds warning of an Iraqi attack on it and were activating their anti-missile defenses when the first of two missiles hit the ship.

"We did not realize a missile had been fired until it was too late to engage it," Commander Glenn R. Brindel said in his first public statement on the attack Sunday night that killed 37 of his crew and injured 21.

The ship had been running with its sophisticated electronic defense system "turned off because there was no reason to expect an Iraqi attack," both Commander Brindel and the U.S. naval commander in the Gulf, Rear Admiral Harold J. Bensen, said in Manama.

A senior Pentagon official, Rear Admiral Grant Sharp, was due in Bahrain to lead an investigation into the attack, which both Iraq and the United States have described as an unintentional error. The Stark has been towed to Bahrain.

Commander Brindel said his crew was activating the anti-missile defenses in the seconds after a lookout spotted an incoming pro-

jectile and phoned his warning to the ship's combat information center.

The commander said he was near the information center when the first missile struck, knocking out electronic equipment. He said efforts were being made to reactivate the equipment when a second projectile hit about 30 seconds later.

Both missiles penetrated the left side of the Stark below the bridge, turning two-crew compartments and the combat center into infernos.

"There are numerous sorties of F-1 aircraft from Iraq," the commander said, "fighter aircraft from Iran that commonly come down through the Gulf and pass within close distances of our ships and ships of other allied navies." The F-1s are French Mirage fighters.

"As long as there is no hostile intent shown by those aircraft towards the ship," he said, "our rules of engagement would provide that we do not take those aircraft under fire."

Giving the sequence of events, Commander Brindel said: "The ship had track on the Iraqi F-1 from as much as 200 or more miles away from Stark."

Two warnings were radioed to

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John Kiser, 5, whose father was killed in the attack on the Stark, buried his face in his mother's dress during the memorial service Wednesday in Bahrain for the dead sailors.

For Stark's Dead, a Bahrain Memorial

By Patrick E. Tyler Washington Post Service

MANAMA, Bahrain — The pallbearers on Wednesday were the men who had pulled the bodies out of the inferno Sunday night after the two Iraqi missiles slammed into the portside crew quarters of the U.S. guided-missile frigate Stark.

They stood at attention as the big U.S. Navy helicopter appeared out of the dirty haze over Manama harbor to set down on the hot tarmac.

A color guard from the four U.S. military services stood at the rear loading ramp of a military jet transport plane that had come to take the 35 aluminum containers to Frankfurt, where the families would be waiting. Thirty-seven sailors were killed in the attack, but two of the bodies have not been recovered.

Two lines of folding chairs were set up for guests and dignitaries. At the end of the first row, nearest the ramp into the plane, was a woman wearing a lavender print dress, white scarf and beige gloves.

She and her small son were alone. Next to him

The wives of the other dignitaries came up and begged her. Sunlight covered her eyes. The Bahraini officials lined up to shake hands formally and express their condolences.

While the adults talked, the boy sat alone on the folding chair beside his mother. His hands folded, his gaze downward, he was lost in the concrete plain where this hasty farewell had been staged for his father and the other Americans who had lost their lives on a peacetime sea patrol across the world from home in Mayport, Florida.

The Stark's captain, Commander Glenn R. Brindel, stood grimly on one side of the woman and the boy. Rear Admiral Harold J. Bensen, commander of U.S. naval forces in the Gulf, stood on the other.

Her name was Barbara Kiser, she later said. Her husband, Steve Kiser, 34, was the senior chief petty officer aboard the Stark. She and her son, John, 5, had been in Bahrain for a special visit when she learned

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Saudi Fighters Refused To Intercept Iraqi Jet

By George C. Wilson Washington Post Service

WASHINGTON — Two Saudi Arabian F-15 fighters refused a U.S. Air Force request to intercept an Iraqi aircraft after it attacked the U.S. guided-missile frigate Stark in the Gulf on Sunday, according to Defense Department sources.

The Saudi refusal has infuriated Pentagon military leaders and may provoke protests in Congress at a time when U.S.-Saudi relations are under scrutiny in the Iran-contra hearings.

"You better believe we're angry about it," said an official, who asked not to be identified.

Military officials acknowledged that the Saudis are not obligated under standing agreements to chase down a plane that attacks U.S. forces. The Saudis provide air cover for American AWACS since the surveillance planes protect Saudi forces, officials said.

At a crucial moment in the tracking of the Iraqi jet, the sources said Tuesday, the Saudis balked at the U.S. request for an intercept, which would have required the F-15s to maneuver alongside the Iraqi jet.

Intercepts are used to identify craft, force them to land, or, if ordered, to shoot them down at close range. Pentagon sources said there was no indication that U.S. commanders intended to ask the Saudis to fire on the Iraqi jet.

The Saudis, according to the sources, said they would need their ground commander's approval for an intercept.

The sources, in giving the chronology of the incident, said a U.S. airborne warning and control system plane with an American crew had taken off from Riyadh, Saudi Arabia, Sunday night without a fighter escort. The air force commanders had anticipated a routine surveillance mission as the AWACS plane followed its usual pattern over the Gulf.

About 9 P.M., the sources said, a radar operator noticed an unusual long green streak on his screen, indicating that a plane had taken off in Iraq and was racing south.

Pentagon officials said they did not know whether the AWACS crew radioed warnings to U.S. ships in the path of the Iraqi plane.

After the Iraqi jet, subsequently

See SAUDIS, Page 2

Kiosk House Moving On Arms Bill

WASHINGTON (UPI) — The House approached final passage Wednesday of a \$289.4 billion defense authorization bill for 1988 that is laden with arms control provisions, making it a potential veto target.

Senate Democrats, meanwhile, failed for a third time to stop a Republican filibuster against the Senate's \$303 billion version of the bill. The Democratic leader, Robert C. Byrd, said he might try again Thursday.

Marine to Be Released

WASHINGTON (AP) — Sergeant John J. Weirick, a Marine embassy guard arrested on suspicion of espionage in Leningrad, will be released from the brig at Camp Pendleton, California, and no spying charges will be brought against him by the military, though his case has been referred to the Justice Department, the Marine Corps said Wednesday. [Earlier story, Page 3.]

Japan's Way to Superconductivity: Let the Government Lead

By John Burgess Washington Post Service

TOKYO — Within weeks after researchers announced the development of new superconducting materials that may revolutionize the use of electricity, two Japanese government agencies set about guiding and harnessing another form of energy: the Japanese competitive spirit.

Committees on superconductors were formed, bringing together top minds from Japan's universities, government and private companies to trade ideas and discuss commercialization and government aid.

Officials in charge of government research funds began reassessing spending plans. Others conferred with laboratories and company executives to keep

Japan's Way to Superconductivity: Let the Government Lead

abreast of the expanding research under way in Japan.

The new materials can carry electrical current without resistance at much higher temperatures than previously thought possible. Made of ceramics, which ordinary do not conduct electricity, their discovery opens the way to making old uses of electricity more efficient and developing new uses that were impractical or impossible with ordinary metal conductors.

"We are working to assure that all this will not be just a fad," said Mitsugi Chiba of the government's Science and Technology Agency. The agency oversees one of the two superconductor committees.

"We want it to be a solid, feet-on-the-ground campaign," he said. While the U.S. government debates the extent of its participation

in the superconductor revolution, the Japanese government has already begun to function as facilitator and coordinator, a role it has played repeatedly over the years in the country's drive for pre-eminence in high technology.

The government no longer keeps the close control over economic decisions that it had through much of the postwar economic advance, and it spends far less on research than does the U.S. government.

However, it does something that the United States has traditionally avoided as being anti-competitive: It coordinates, cajoles and guides industrial development, striving to avoid duplication and increase efficiency.

The Ministry of International Trade and Industry guided the postwar recovery with an authority

that was reinforced by its control of the flow of foreign exchange, which could mean success or failure for companies.

Much of that statutory authority is now gone, but the ministry and its technocrats retain major influence in the economy. They see this influence as a duty to decide what the future holds and to move people toward that future.

Licensing and research grants are prime tools. Also important is "administrative guidance," the formal expression of the ministry's formidable will.

In 1976, with the ministry's support, major electronics companies established a research association for microchip development. The government provided loans; the companies supplied the rest. The goal was to stop duplicative re-

search and to share findings. After spending about \$300 million and filing many patents, the project disbanded in 1980.

Some studies consider the ministry to have been the key to the postwar revival. In some cases its leadership was clearly crucial. Its pressuring of foreign companies to license computer technology in the 1960s is commonly cited.

The ministry has also had notable failures. The Japanese aerospace industry has not flourished, despite years of nurturing. The ministry opposed Sony Corp.'s initial licensing of the transistor and Honda Motor Co.'s expansion from motorcycles into cars.

Government funding has played a relatively small role in superconductor research. The Science and Technology Agency has invested

the equivalent of about \$22 million at current exchange rates in superconductor studies since 1982. The ministry claims not to know how much it has spent, but calls it small.

The Japanese research plodded along until late in 1986. Then scientists at an International Business Machines Corp. laboratory in Switzerland published a paper concluding that superconductors could be made from ceramics and function at higher temperatures than metallic ones.

Suddenly, even room-temperature superconductors seemed within range.

Koichi Kitazawa, a Tokyo University associate professor and a specialist in superconductors, recalled that he tossed the IBM paper

to the trash. He had been told that the material was not superconductive.

He said federal officials had been unable to determine "the exact mechanism of transmission" of the AIDS virus in the three cases.

Extensive questioning established that none of the three health care workers was known to have had experiences that put them at risk, Dr. Hughes said. Two described themselves as monogamous heterosexuals and the other as having had no recent sexual exposure.

The virus is known to spread through blood, as on contaminated needles and syringes, and through sexual intercourse, as well as from mother to fetus.

In one of the three cases, Dr.

See SUPER, Page 7

See AIDS, Page 2

Gorbachev Hints He Would Accept Former King in Afghan Coalition

By Bill Keller New York Times Service

MOSCOW — Mikhail S. Gorbachev indicated in an interview published Wednesday that the Soviet Union would accept the former Afghan king, Zahir Shah, as part of a coalition government after the withdrawal of Soviet troops from Afghanistan.

Mr. Gorbachev's remarks, in written responses to questions from the Italian Communist newspaper L'Unita, were indirect, but diplomats in Moscow said the message was unmistakable.

Mr. Gorbachev also indicated a sense of optimism about prospects for a U.S.-Soviet agreement on withdrawing medium-range nuclear missiles from Europe.

He expressed frustration that just when it seemed an accord was "in the bag," the Western allies began debating whether such a treaty would leave Europe at a disadvantage in conventional arms.

"Some people are trying to forge an endless chain of more and more linkages," he said, but added, "We nonetheless think that political realism will prevail."

The Soviet leader said he also considered it "quite feasible" that agreement would be reached soon on "basic provisions" limiting intercontinental ballistic missiles, anti-ballistic missile defenses and nuclear testing.

Some of the rebels fighting the Soviet-backed Communist government in Afghanistan had indicated

Polis show many Soviet workers are skeptical about the Gorbachev reforms. Page 5.

ed that they would welcome the king back as part of the government, but Soviet officials have not previously indicated their views on such a proposal.

Forming a government to replace the Soviet-sponsored regime has emerged as a major stumbling block in efforts to negotiate an armistice and the withdrawal of Soviet forces.

In the interview with L'Unita, conducted Monday and published Wednesday in Moscow, Mr. Gorbachev stressed that the Soviet Union would not insist on continued political influence over the Afghan government as a condition for withdrawing its 120,000 troops from the country.

He said the coalition government that the Afghan leader, Major General Najibullah, has proposed as part of his "national reconciliation program" could be neutral, and

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Meanwhile, committee investigators said that Colonel North had personally cashed checks totaling \$2,440 for the purchase of food, retail goods, hotel rooms, airline tickets and other items, including articles from a hobby shop in Washington.

Checks totaling \$25,000 also were cashed by federal drug agents and their associates as part of the effort to get Iran to seek the release of American hostages in Lebanon, committee aides said.

Mr. Calero, speaking of his close relationship with Colonel North, said that in dozens of meetings "I used to tell Colonel North practically everything."

But Mr. Calero, head of the Nicaraguan Democratic Force, said that in the three or four meetings he had had with President Ronald

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3 Contract AIDS in U.S. By Skin-Blood Contact

By Robert Pear New York Times Service

WASHINGTON — Federal health officials have reported three cases in which health care workers became infected with the AIDS virus after their skin was briefly exposed to blood from infected patients.

Officials said the cases were the first documenting the spread of acquired immune deficiency syndrome to health workers that did not involve direct injection of infected blood into the body or prolonged exposure to body fluids.

The six previously reported cases among health workers involved such injection or prolonged exposure.

Federal health officials said Tuesday there was no evidence that the AIDS virus passes directly through intact skin. They said each of the three workers had small breaks or other abnormalities in the skin through which the virus might have passed.

One was splashed with infected blood in the mouth, where the virus might have passed through mucous membrane.

The government has recorded 35,769 cases of AIDS and 20,683 deaths. There is no cure for the disease.

Dr. James M. Hughes of the Federal Centers for Disease Control in Atlanta said the cases underlined the need for strict adherence to federal guidelines for preventing health care workers from becoming infected with the virus.

The guidelines say that workers should wear gloves when they expect to be exposed to blood. In some cases involving "more extensive contact with blood or potentially infective body fluids," they say, gowns, masks, goggles or safety glasses may be required.

The government has recommended similar precautions for paramedics, firefighters and emergency medical technicians.

But in an interview Tuesday, Dr. Hughes, who is director of the hospital infections program of the Centers for Disease Control, said there was still no evidence that the AIDS virus could be transmitted through casual contact. Even when the skin is exposed to infected blood, he said, the chances of infection are very low.

He said federal officials had been unable to determine "the exact mechanism of transmission" of the AIDS virus in the three cases.

Extensive questioning established that none of the three health care workers was known to have had experiences that put them at risk, Dr. Hughes said. Two described themselves as monogamous heterosexuals and the other as having had no recent sexual exposure.

The virus is known to spread through blood, as on contaminated needles and syringes, and through sexual intercourse, as well as from mother to fetus.

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Advertisement for a kiosk or house moving on arms bill, featuring a small image of a person.

Advertisement for general news and business/finance, mentioning Fiji youths and markets.

Kuwait May Ship Its Oil Under U.S. Flag in June

Receives
 KUWAIT — Kuwait, undeterred by the attack Sunday on the U.S. guided-missile frigate Stark, may start shipping its oil under the American flag next month, political sources said Wednesday.

The emirate, at the northern part of the Gulf, supports Baghdad in the Iran-Iraq war and has been negotiating to transfer half its 22 tankers to U.S. registry.

The U.S. registry, sought after 16 attacks by Iran this year on vessels trading with Kuwait, would entitle the tankers to U.S. naval escorts. Kuwait is a major world oil exporter.

"We are moving forward with the arrangement," a State Department deputy spokesman, Phyllis Oakley, said in Washington on Tuesday.

Diplomats said that Kuwait would welcome President Ronald Reagan's orders to U.S. warships in

the Gulf to shoot first if any approaching aircraft appeared hostile.

"I think most people are astonished they did not establish that policy a long time ago," said a senior Western diplomat in the Gulf.

Kuwait has not commented officially on the attack, which killed 37 U.S. sailors and injured 21. But, in the first response in the emirate, a local newspaper criticized Mr. Reagan's policies.

Al-Anba, a daily that is usually friendly to the West, said in an editorial: "We consider President Reagan responsible for what happened."

Addressing Mr. Reagan, it said: "You have supplied Iran with arms to escalate the war, to continue its attacks on Iraqi territory and reinforce Iran's arrogant refusal to respond to calls for peace."

SAUDIS: Request Refused

(Continued from Page 1)

identified as a single-seat Mirage F-1 fighter-bomber, had flown about 40 miles (64 kilometers) south of the edge of the Iraq-Iran combat zone, the AWACS crew noted that the plane made a sharp turn toward the Stark. A few seconds later, sources said, the AWACS detected an Exocet missile closing on the Stark.

"I think he hit the Stark," someone inside the AWACS exclaimed over a radio link that reportedly was picked up by other U.S. ships in the Gulf.

The AWACS commander, the sources said, immediately radioed the Saudi air base in Riyadh to request fighter protection. The Saudis complied, sources said, launching two F-15s. The Saudi F-15s, apparently guided by commands from the AWACS, soon were in the area of the attack. The fighters fell in behind the Iraqi jet returning to Iraq.

At that moment, the sources said, the AWACS commander requested the F-15s to intercept the Iraqi plane, an easy task because of the AWACS' radar-tracking capability.

"This is not our forces," one of the Saudi pilots radioed back to the AWACS. He said he could not intercept the Iraqi jet unless he received permission to do so from "my colonel," presumably on the ground at the Riyadh air base.

But the Saudi pilots did not hear from their commander, sources said, and broke off the chase. The Iraqi Mirage landed safely at its base.



FORMER MP PLEADS GUILTY — Harvey Proctor, who resigned Saturday as a Conservative member of Parliament, arriving at court Wednesday. He pleaded guilty to four charges of gross indecency with two men under the age of 21 and was fined £1,700.

CONTRAS: Vow to Start Ban

(Continued from Page 1)

Reagan, they never discussed the activities of Colonel North, a former National Security Council aide.

Mr. Calero said he also met once with Vice President George Bush in Mr. Bush's office, but money was not discussed.

The Nicaraguan rebel leader was the fifth witness to testify before the House and Senate committees in the third week of investigations into U.S. arms sales to Iran and the private supply network for the contras.

Mr. Calero spent much of his testimony explaining the workings of the rebel army fighting to overthrow the Sandinist government in Nicaragua.

He also said that since April 1985 he had had at least four meetings with President Reagan and also met with Mr. Bush, and received expressions of U.S. dedication to his group's cause.

The White House, Mr. Calero said, was already prepared to support an extragovernmental operation to provide "bullets and beans" to the rebels when Congress passed the Boland Amendment, which prohibited direct or indirect U.S. military aid to them between October 1984 and October 1986.

In July 1984, two months after the official U.S. money ran out, Mr. Calero said, he found a \$1 million deposit in his bank account — the first installment of \$32 million donated by Saudi Arabia between July 1984 and March 1985.

He said he was "very happily surprised" when the huge deposits were made to his accounts, but he indicated he did not know or care where the money was coming from. He said he did not ask Colonel North about the sources, and the information was not volunteered.

In requesting testimony from Mr. Calero, the congressional committees hope to determine what happened to millions of dollars in profits from the U.S. arms sales to Iran, some of which apparently was diverted to the contras. But Mr. Calero insisted Wednesday that the rebels received no money from those deals.

Mr. Calero said he himself had used \$3 million in traveler's checks to pay for "administrative travel," among other things, and that he had given to Colonel North \$670,000 in traveler's checks, which he understood had been given to other rebel leaders.

WORLD BRIEFS

U.S. Warns Airlines of Penalties

WASHINGTON (UPI) — The U.S. government, reporting an increase in consumer complaints, warned the major airlines in the United States on Wednesday they would face stiff penalties unless they reduced flight delays, cancellations and lost baggage.

The warning was conveyed in a letter by Elizabeth H. Dole, the secretary of transportation, who pledged that the government would work with the airlines to resolve the problems. "However, please be advised," the letter said, "that, where necessary, we will not hesitate to refer a matter to our enforcement office for action."

Under federal regulations, violators could face a fine of \$1,000 a day for each offense. The government received 2,103 consumer complaints last month, up from 1,050 in April of last year. The largest number of complaints, 767, was lodged against Continental Airlines, the Transportation Department said.

Japan Says 4 Sold U.S. Data to Soviet

TOKYO (AP) — Four Japanese passed on U.S. military documents to Soviet and Chinese buyers for several years, Japanese police charged Wednesday. U.S. military authorities said they were studying the extent of the security damage.

The four suspects, who include a current and former employee of U.S. military facilities in Japan, were arrested Tuesday after one attempted to give U.S. military documents to a Soviet diplomat in a Tokyo park, the police said.

Police said the men were suspected of selling documents to Soviet diplomats and unidentified Chinese buyers in return for more than \$714,000. U.S. military officials, who initially alerted Japanese police to the matter, declined to comment on the nature of the documents involved.

Israeli Forces Oppose Lavi Jet Project

JERUSALEM (Reuters) — The Israeli armed forces have joined the United States in calling for the government to scrap the multi-billion-dollar Lavi jet fighter project because of feared strains on the military budget, state radio said.

In a special meeting Wednesday of the Israeli cabinet, which is divided over the future of its planned home-made fighter for the 1990s, heavy reports from the military on the project that Washington says Israel cannot afford.

The radio said military officials told the cabinet the armed forces were against continuing the project. The Pentagon has estimated that each Lavi would cost \$22.1 million, whereas Israel put the figure at \$14.5 million. While some ministers agree, others said thousands of engineers and technicians would lose their jobs if the Lavi, which made its maiden flight in December, were grounded.

Argentine Rebel Leader Found Guilty

BUENOS AIRES (NYT) — Mario Firmenich, 39, a key leader of the leftist guerrilla movement against which the Argentine military government fought in the 1970s, has been found guilty in a 1978 kidnapping-murder case and sentenced to life in prison. He will serve no more than 20 years, however, according to the agreement under which he was extradited from Brazil in 1984.

Judge Carlos Luft of the federal court in the Buenos Aires suburb of San Martin held Tuesday that Mr. Firmenich organized the kidnapping of Jorge and Juan Born, wealthy grain traders. The kidnappers killed the Borns' driver and a business associate. The Borns were released after payment of an estimated \$60 million in ransom.

Mr. Firmenich was the principal leader of the Montoneros, the largest Argentine guerrilla organization. He is the second guerrilla leader to be found and tried. The first, Ricardo Obregon Cano, a former governor of Cordoba Province, is serving a six-year sentence for illegal association with the Montoneros.

For the Record

Greece's Parliament rejected on Wednesday an opposition call for an inquiry into fraud and embezzlement charges against Socialist officials. The charges have prompted Prime Minister Andreas Papandreu to request a vote of confidence in his government. (AP)

The mayor of Philadelphia, W. Wilson Goode, beat two Democratic primary challengers Tuesday. Frank Rizzo, a former mayor, defeated a Republican rival after he switched parties in a comeback try. (AP)

DEFEND: System Was Inactivated

(Continued from Page 1)

the approaching aircraft, but the ship received no response, he said. Two to three minutes passed between the time the second warning was sent and the plane launched its missiles.

After the second warning, actions were taken to engage weapons systems but the Phalanx anti-missile gun was only being switched from manual to automatic fire after the lookout spotted the approaching projectile, he said.

There had been no radar indication that the aircraft had launched missiles or that they were locked onto the ship, he said.

Commander Brindel said he knew from his found on the Stark that one missile was a French-made Exocet. But it was not clear whether the plane had first launched an undetected laser-guided projectile and knocked out the electronics systems.

He said the Phalanx had been in a manual mode to prevent it shooting down an approaching aircraft automatically.

Asked how the missiles could penetrate all the defensive systems, Commander Brindel said it was a difficult question to answer.

U.S. Plans Kuwaiti Escorts

The United States announced Wednesday it was moving ahead with plans to provide naval escorts for 11 Kuwaiti oil tankers operating in the war zone at the northern end of the Gulf. The New York Times reported from Manama.

In addition, to bolster the firepower of the American ships in the Gulf, the Pentagon is sending an aircraft carrier, the Constellation, into the Arabian Sea so its F-14 fighters can fly protective cover for the fleet.

AFGHAN: Soviet Hint on Ex-King

(Continued from Page 1)

General Daud, who made himself president, was killed in a 1978 coup that led to the establishment of a pro-Soviet government and eventually to the December 1979 intervention by Soviet troops.

A Western diplomat questioned Wednesday whether the king now would have much popular appeal.

"He was not regarded as terribly effective," the diplomat said. "But people have to group around somebody, and when you talk about national leaders, there's really nobody else alive."

Mr. Gorbachev did not indicate how much power the king or other new "partners" would wield in a coalition.

Mr. Gorbachev dismissed Western charges that the Soviet Union was afraid Afghanistan would slip from its political control.

"It is sometimes alleged that the Soviet Union will only agree to a political settlement to the Afghan problem that would leave Afghanistan within its sphere of influence," he said.

"This is a profoundly erroneous evaluation."

Reaction on Tactical Arms

A Soviet official said Wednesday that reductions in tactical nuclear weapons, as proposed by West Germany, should be negotiated along with cuts in conventional arms and not as part of talks on medium-range nuclear missiles, Reuters reported from London.

Lev Mendelevich, head of the Soviet Foreign Ministry's evaluation and planning department, said at a press conference in London that Moscow was ready to negotiate reductions of any weapons, including tactical and battlefield nuclear arms with a range below 500 kilometers (300 miles).

Ex-Gadhafi Aide Injured in Attack

Receives
 VIENNA — A former aide of the Libyan leader, Colonel Muammar Gadhafi, was slightly wounded in an attack Wednesday, an Interior Ministry spokesman said. Ezze-din al-Ghadamsi, 49, a former ambassador to Austria, survived an assassination attempt in Vienna in 1985.

The spokesman said Mr. Ghadamsi was injured in the head during a scuffle in a central Vienna street.

and transport ramp, a navy bugler stepped forward and played taps.

It had taken 15 minutes, Mrs. Kiser lingered for a few moments and then walked back toward the navy hangar. She stopped only to say a few words. She said she thought it was an act of God.

Commander Brindel also stopped for a moment. He was going back to the Stark. He said he still had a lot of work to do.

FAMILY: For Stark's Dead, a Memorial in Bahrain

(Continued from Page 1)

that her husband had been killed when his compartment was hit.

The helicopter taxied forward. Thirty two of the caskets had already been loaded. The helicopter door opened and Mrs. Kiser reached down for her son's hand. Admiral Berner reached down and took the boy's other hand.

Two Bahraini Air Force jets flew overhead as the honor guard was ordered to present arms.

Toll Rises in Fire in China

The Associated Press
 BEIJING — The death toll has risen above 200 in a forest fire that has scorched nearly 1.5 million acres (600,000 hectares), destroyed several villages and is still out of control in Heilongjiang Province, the newspaper China Daily said Wednesday.



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BLAST: 3 Policemen Slain

(Continued from Page 1)

Pretria. South African authorities said the charges were an attempt to divert attention from Angola's internal problems.

The official Angolan news agency quoted President Jose Eduardo dos Santos on Tuesday as saying at a special meeting in Luanda of the United Nations Council on Namibia that six battalions of South African troops were carrying out hostile reconnaissance missions deep inside Angolan territory.

Israel Weighs Sanctions

An Israeli committee has prepared a report for cabinet approval on sanctions against South Africa in line with those adopted by Western nations, a Foreign Ministry official said Wednesday. Reuters reported from Jerusalem.

Ministry officials have said that Israel is considering banning new investments in South Africa, reducing trade and barring ministerial visits.

The report was prepared by a group led by Yossi Beilin, director-general of the Foreign Ministry. He is to give it to Prime Minister Yitzhak Shamir, who is expected to submit it for cabinet approval on Sunday.

AIDS: 3 Cases From Skin-Blood Contact

(Continued from Page 1)

Hughes said, a hospital worker was exposed to blood while she was pressing gauze against the arm of a patient who was bleeding. She was exposed to the patient's blood for about 20 minutes. The worker's hands were chapped and she was not wearing gloves.

In the second case, a rubber stopper popped off a glass tube, spattering blood onto a health care

worker. The worker had a history of acne, but apparently no open lesions on her face. Federal officials said the AIDS virus might have been transmitted across the mucous membrane inside her mouth or possibly through contact with an inflamed area of her face.

In the other case, blood spilled onto the hands and forearms of a worker manipulating a machine used to separate blood into its components. She was not wearing gloves, but had no open wounds.

Two of the workers became briefly ill after the contacts, apparently suffering from a viral illness with symptoms like those of mononucleosis, Dr. Hughes said.

"There is a possibility" that the illnesses resulted from infection with the AIDS virus, he said. Dr. Hughes said he believed all three were now in good health and that none had developed symptoms of AIDS.

Shultz Tells Austria's Chancellor Case on Waldheim Is 'Convincing'

United Press International
 WASHINGTON — Following talks with Chancellor Franz Vranitzky of Austria, Secretary of State George P. Shultz said Wednesday that the case against Kurt Waldheim, the Austrian president, remained "totally convincing."

The United States has barred Mr. Waldheim, the former United Nations secretary-general, from visiting the United States because of his World War II activities, Mr. Vranitzky said he told Mr. Shultz that the U.S. decision had "upset the Austrian government and the Austrian people."

He said another meeting with Mr. Shultz on Thursday offered "the opportunity to continue our talks."

"We're willing to hear whatever the chancellor has to say," Mr. Shultz said. "We have examined the evidence, and find the case to be totally convincing, and that stands. We're quite prepared to explain our decision and stand firm."

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Webster Confirmed To Become CIA Chief 'At This Critical Time'

By Tom Kenworthy
Washington Post Service
WASHINGTON — The Senate has overwhelmingly confirmed the nomination of William H. Webster, director of the FBI, to be the director of the Central Intelligence Agency.

Mr. Webster, 63, a former federal judge and prosecutor who was head of the Federal Bureau of Investigation for nine years, will take over U.S. intelligence operations at a time when the agency's role in the Iran-contra scandal is under intense scrutiny on Capitol Hill.

Mr. Webster assumes command of the CIA from the acting director, Robert M. Gates, who has run the agency since the resignation Feb. 2 of William J. Casey. Mr. Casey died May 6 after complications from a cancerous brain tumor.

Mr. Gates withdrew his name from consideration amid questions about the CIA's involvement in the Iran-contra affair.

The Senate approved, 94-1, on Tuesday the nomination of Mr. Webster, with Senator Harry M. Reid, Democrat of Nevada, dissenting because of what he said were lingering questions about FBI conduct during a series of criminal investigations in his state.

Mr. Webster's confirmation came after lengthy hearings by the Senate Intelligence Committee in which the panel questioned the

FBI's dealings with Lieutenant Colonel Oliver L. North, who was dismissed from the National Security Council staff in November because of his role in the Iran-contra affair.

During the hearings it was disclosed that Mr. Webster was unaware of FBI memoranda indicating that Colonel North might be a target of a criminal investigation because of his role in providing arms to the Nicaraguan rebels, known as contras, as well as other documents detailing attempts by Colonel North to interfere in agency investigations of the Iran-contra affair.

"The evidence showed that the FBI and Judge Webster himself did not respond to the danger signals of improper and even illegal activities by Colonel North," said Senator Arlen Specter, Republican of Pennsylvania, a panel member.

Nonetheless, Mr. Specter said, "Judge Webster ought to be confirmed because he has an outstanding record as a judge, practicing attorney and director of the FBI."

Senator David L. Boren, Democrat of Oklahoma, who is chairman of the committee, said an "exhaustive review" of Mr. Webster's career and the FBI's links to Colonel North showed that Mr. Webster is "fully qualified in all respects to provide the leadership needed by



William H. Webster

the intelligence community at this critical time."

The brief debate Tuesday on Mr. Webster's nomination underscored the Senate's renewed sensitivity to the CIA's relations with Congress. Relations have been strained by the Reagan administration's failure to inform the intelligence committees of covert operations involving arms sales to Iran.

Senator William S. Cohen, Republican of Maine, noted the sometimes conflicting demands the CIA faced in maintaining secrecy while also operating "within the law." He said secrecy can lead to "the political paralysis which we are seeing a certain amount of now."

But Mr. Cohen and Mr. Boren agreed that Mr. Webster was well suited to repair the strained relationship between the CIA and Congress.

"I am particularly impressed with the commitment of Judge Webster to the oversight process" by Congress, Mr. Boren said.

Marine Held in Spy Case Defends His Character

By Bill McAllister
Washington Post Service

WASHINGTON — Corporal Arnold Bracy, a U.S. marine accused of allowing Soviet agents into the U.S. Embassy in Moscow, has testified publicly for the first time, telling a military investigator that he is a deeply religious person who said no to drugs, alcohol and Playboy magazine.

Prosecutors, pressing what White House officials have conceded is a weak case, seized on the former Marine guard's statement Tuesday and said they intend to use it to try to reintroduce one of the case's most controversial pieces of evidence.

That is another statement by Corporal Bracy, which he has since recanted, in which he allegedly said he and another marine allowed So-

viet agents to examine some of the embassy's most sensitive areas.

The prosecution attempt began at a closed hearing at the Marine base in Quantico, Virginia, where Corporal Bracy has been held since March on espionage charges.

Before the hearing was closed, the investigating officer, Major Geoffrey P. Lyon, agreed with prosecutors that Corporal Bracy's testimony had opened the issue of his character. He said he would allow prosecutors latitude in questioning the marine's character.

Major Charles A. Ryan, the chief prosecutor, told Major Lyon that Corporal Bracy's character "is very much at issue." He hinted that he wanted to raise questions about whether Corporal Bracy's behavior in Moscow was consistent with the way he had described himself.

Corporal Bracy's civilian lawyers said the actions illustrated how vigorously they expected prosecutors to press the case. The Marine Corps dismissed several identical charges last week against Sergeant Clayton J. Lonetree, another Moscow guard implicated in the case.

Corporal Bracy's lawyers had hoped to limit the scope of questioning of their client to his days before joining the corps' elite Security Guard Battalion, which protects U.S. embassies.

But Major Ryan said that the marine "opened the door" to wider questioning by saying he did not read Playboy or Penthouse magazines, curse, drink or use drugs.



Corporal Arnold Bracy, right, is escorted to a hearing.

Legislators Assail U.S. on Fraud Case

Washington Post Service

WASHINGTON — Members of Congress have sharply criticized the Justice Department for closing a three-year investigation of General Dynamics Corp.'s submarine contracts without bringing charges.

The department announced the end of the investigation Tuesday, saying that the evidence did not support "any reasonable prospect of a successful prosecution."

Officials said they could not prove that General Dynamics, the largest defense contractor in the United States, had lied about delivery dates and cost overruns in building nuclear attack submarines for the navy.

Senator William Proxmire, Democrat of Wisconsin, said the decision "shows the Justice Department is not serious about defense fraud."

"How do these armchair prosecutors know they could not get a conviction unless they bring one of these large contractors to court?" said Mr. Proxmire, who is chairman of the Joint Economic Committee's subcommittee on national security.

Representative John D. Dingell, Democrat of Michigan, said a subcommittee of the House Energy and Commerce Committee, of which he is chairman, would hold a hearing on General Dynamics and "similar cases."

French Academy Inducts Nixon for His Gift to Art

By Samuel Abr
International Herald Tribune

PARIS — French taste in Americans inclines toward Billy the Kid types: in tennis, the tannum-ridden Jimmy Connors; in movies, the frazzled Jerry Lewis; in literature, the bleary Horace McCoy. In politics, the French have long favored Richard M. Nixon, 37th president of the United States.

In one of his rare honors of the last decade, Mr. Nixon was installed Tuesday as a foreign associate of the Académie des Beaux-Arts, a part of the prestigious Institut de France. He will hold the seat that became vacant on the death of Arthur Rubinstein, the pianist, in 1982.

The Beaux-Arts is not to be confused with another part of the Institute, the Académie Française, whose members are known as "the Immortals." No similar guarantee is accorded to the Beaux-Arts' 50 French members — painters, writers, engravers, composers, sculptors, architects and filmmakers — and its 15 foreign associates.

The former president was honored for his contribution to French art, which he was told he "admired

with fervor and which he had favored." Specifically, Mr. Nixon signed into law in 1973 a bill allowing U.S. tax deductions for contributions to the restoration of Versailles and the Claude Monet house in Giverny.

For this, promised the president of the Académie des Beaux-Arts, Armand d'Hauterives, Mr. Nixon gains the right "in our company, to be invited to participate in discussions about the arts." He will also be allowed to wear the academy's green-embroidered uniform, to pin on it his medals and to bear, if he wishes, a sword.

In a circumspect speech, Mr. d'Hauterives, a painter, made it clear quickly that "I wish to skip all politics and welcome you here as a friend of France."

The closest thereafter he came to the circumstances that led to Mr. Nixon's resignation in August 1974 was an acknowledgment that "in the impressive Oval Office, you did not know only joys." Otherwise, his capsule history of Mr. Nixon's presidency stressed the historic opening with China and the welcoming home of the first moon landers.

Mr. Nixon took the cue. Looking

fit but long in the jaws, he spoke for 15 minutes, mainly in praise of Mr. Rubinstein and General Charles de Gaulle.

Addressing an audience of several hundred sitting on green or gray plush seats under the mighty dome of the Mazarin Palace on the Left Bank of the Seine, Mr. Nixon told of first meeting Mr. Rubinstein in March 1952 at a dinner party in Washington.

"I was particularly impressed to meet him," the 74-year-old Mr. Nixon recounted, "because as a young boy I had played some classical music on the piano. I was introduced to him as a young senator from California. As he fixed me with a steady gaze and a wide smile and grasped my hand, I had the impression of incredible but carefully controlled power.

"I can see him now. He was ramrod straight, with strong arms and the compact trunk of a champion boxer. I read later that was only 5 feet 8 inches tall, but that evening he seemed to me to be at least 3 inches taller." (The speech was artfully translated into French by Vernon A. Walters, U.S. delegate to the United Nations, who even con-

verted 5 feet 8 inches into 1.72 meters.)

"Rubinstein, at the age of 95, passed cheerfully into immortality," Mr. Nixon continued. "Today, a century after his birth, a new edition of his recordings is being issued. At a time when the light of the West's cultural heritage seems increasingly dim — when the music we all loved in our youth is being drowned out by the bizarre racket that is called music and that has enraptured today's youth — the unabated popularity of Arthur Rubinstein is a signal that all is not yet lost in this age of superficiality and vulgarity."

He finished with a tribute to de Gaulle, "one of the wisest leaders I ever met."

Recalling a letter he sent de Gaulle after the general left public office in 1969, Mr. Nixon said he invited him to visit the United States because "in this age of mediocre leaders in most of the world, America's spirit needs your presence."

"After he read it," Mr. Nixon continued, "he looked up and said, 'He is a true comrade. I have never received a higher compliment.'"

Klan Property Is Given to Black Victim's Mother

By William E. Schmidt
New York Times Service

ATLANTA — The headquarters of one of the largest Ku Klux Klan groups in the United States now belongs to a 67-year-old black woman from Alabama, the mother of a teen-age son who was murdered in 1981 by two Klansmen.

Under the terms of a federal court verdict delivered in March, the woman, Beulah Mae Donald of Mobile, was given the deed this week to a brick and corrugated metal building of 7,200 square feet and 6.5 acres of wooded land near Tuscaloosa, Alabama. The building was until recently the national headquarters of the United Klans of America Inc.

Attorneys for Mrs. Donald said Tuesday she planned to turn the building over to a real estate agent to be sold. The market value of the 668-square-meter building and the 2.3 hectares of property is estimated at \$225,000.

"I really don't feel anything yet," Mrs. Donald, the mother of seven children, said Tuesday. "I said before that the money didn't mean anything to me, and it still doesn't mean anything to me."

The property was turned over to her by the Klan as part of the judgment in a \$7 million civil lawsuit in which a jury concluded a Klan organization is financially liable for criminal acts by its members.

Two Klansmen have been convicted in separate criminal proceedings for the slaying of Mrs. Donald's 19-year-old son, Michael. He was beaten and strangled in 1981 and his body left hanging from a tree on a street in Mobile. One of the men is awaiting execution; the other is serving a sentence of life imprisonment.

By turning over the property to Mrs. Donald, the Klan has decided not to appeal the judgment. The legal title to the building and property was held by an organization called the Anglo-Saxon Club Inc. of Tuscaloosa.

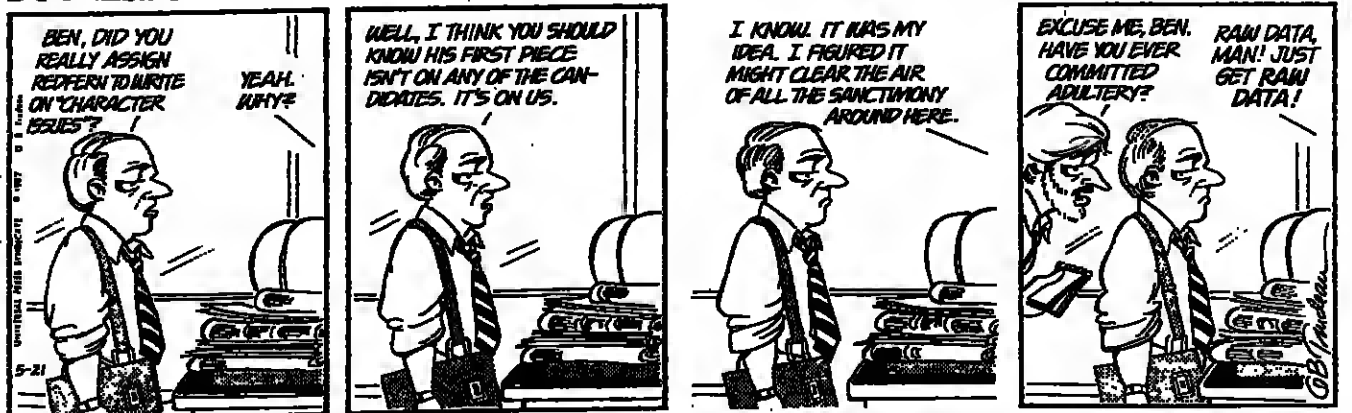
Although an all-white jury awarded Mrs. Donald a settlement of \$7 million, Bill Stanton, of the

Southern Poverty Law Center in Montgomery, said investigators had found that the Klan group had little in assets other than the building and property. That suggested that the United Klans was already "in decline," Mr. Stanton said. He added: "This is pretty much a death blow to it."

The United Klans, founded in 1961 and headed by Robert M. Shelton, has been one of the nation's largest Klan groups. In the 1960s its membership was estimated at 30,000.

The group also has a reputation for violence. Members were implicated in the 1965 murder of Viola Gregg Liuzzo, a white civil rights worker from Detroit.

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Michel Cojot-Goldberg going to court Wednesday.

Son of Nazi Victim Says He Met Barbie in Bolivia Intending to Kill Him

By Julian Nundy
International Herald Tribune

LYON — The son of a Jew allegedly deported to his death by Klaus Barbie told a French court Wednesday that he had traveled to Bolivia to assassinate the former Nazi officer but could not go through with the killing.

Michel Cojot-Goldberg, 48, told the jury hearing evidence against Barbie that he dropped the plan once he met him. Barbie is charged with crimes against humanity.

"I found him contemptible, full of contradictions and rather mediocre," Mr. Cojot-Goldberg said. "I didn't feel the hatred I needed to kill him."

Speaking on the first day that victims of Nazism were called to testify, Mr. Cojot-Goldberg said that he had been armed with a pistol and could have shot Barbie when they met at Easter in 1975. He said that he posed as a journalist during the meeting.

Mr. Cojot-Goldberg's father was one of 86 Jews arrested at the offices of the General Union of Jews of France in Lyon in February 1943. He was four years old when his father was deported to the Auschwitz concentration camp. His father died in the camp.

Lawyers for the civil plaintiffs in the case, meanwhile, did not renew a request for Barbie to be forced to appear. He has not attended his trial since May 13, two days after it opened.

Barbie asked then to be taken back to his cell at Saint-Joseph prison because, he said, his 1983 expulsion from Bolivia where he lived in exile was illegal.

One lawyer said Wednesday that the civil parties' counsel would renew the request later in the trial, which is scheduled to last into July.

He said that disagreement among his colleagues over the necessity of making Barbie appear had led them to abandon an earlier strategy of making daily requests.

Such moves might be resumed next week when witnesses who had not confronted Barbie in pretrial hearings were due to speak, he said.

Mr. Cojot-Goldberg said that, for him, Barbie was "the only identifiable element in the chain that took my father from Lyon to Auschwitz."

He said that he had the idea of going to Bolivia to kill Barbie after the Bolivian Supreme Court rejected a French request to extradite the former SS captain.

At the end of 1974, he said, he made a reconnaissance trip to La Paz and then returned the following Easter.



INDIAN RIOTING KILLS 55 — Police patrolled Wednesday in New Delhi, where a curfew was imposed after 55 people died in India in two days of Hindu-Muslim violence. Forty-eight deaths were in the northern town of Meerut. Curfews were ordered in Meerut and in the western city of Beroach, where five were killed.

Hero of Portugal Coup Convicted of Terrorism

The Associated Press

LISBON — A court convicted Lieutenant Colonel Otelo Saraiva de Carvalho, a hero of Portugal's 1974 revolution, on Wednesday of running a secret leftist terrorist group that sought to overthrow democracy.

The three-judge panel said the organization, known as Global Project, sought to "subvert the normal functioning of the institutions of this democratic state consecrated in the constitution."

Zoo Bears Kill Brooklyn Boy

New York Times Service

NEW YORK — Two polar bears mauled and killed an 11-year-old boy who climbed a fence at the Prospect Park Zoo in Brooklyn with two friends Tuesday night and then sneaked into the bear enclosure. Policemen shot and killed both of the animals as they tugged at the dead boy's body, the authorities said.

The prosecution said Global Project was in fact a guerrilla group called FP-25, which stands for Popular Forces of April 25, and asked that Colonel Carvalho be given the maximum 20-year prison sentence. The defense requested acquittal, citing a lack of evidence.

Colonel Carvalho, the flamboyant mastermind of the 1974 coup that ended half a century of rightist dictatorship, was on trial with 63 other accused members of the group.

The trial began 19 months ago. The judicial panel said prosecution charges that Colonel Carvalho founded a terrorist organization "have been essentially proven."

The colonel's Global Project, the ruling said, "used armed violence and killed people."

Colonel Carvalho, who finished second in 1976 presidential elections, was imprisoned briefly in 1975 for his alleged role in a leftist coup attempt that failed.

50 Hurt in Fiji Racial Violence

Compiled by Our Staff From Dispatches

SUVA, Fiji — Young Fijians attacked people of Indian descent at an outdoor prayer meeting Wednesday in the first racial violence since the coup on May 14. More than 50 people were reported injured.

Unconfirmed reports circulating in the capital, meanwhile, said the Great Council of Chiefs, the indigenous Fijian community's most influential body, secretly passed a resolution Tuesday night in support of the overthrow last week of the government, which was dominated by people of Indian descent.

But the chiefs also reportedly rejected the new administration of the governor-general, Sir Penaia Ganibau. Sir Penaia said Tuesday that the leader of the coup, Lieutenant Colonel Sitiveni Rabuka, had agreed that the governor-general should exercise executive power in a caretaker position.

Members of the council were thought to be considering an amendment to assure that indigenous Fijians would have political dominance over Indians, who slightly outnumber them.

Such a measure was among the goals of Colonel Rabuka, who sent troops into Parliament and arrested Prime Minister Timoci Bavadra and his government, which was elected in April.

Central Suva was deserted early Thursday except for Fijian soldiers in camouflage battle dress who stood guard with rifles outside government offices and the radio station. Restaurants and stores were closed, and there was no bus service.

On Wednesday, Britain, New Zealand and Australia advised tourists to postpone travel plans to the 300 islands of the South Pacific archipelago. Prime Minister David Lange of New Zealand ordered a second warship into the area. He kept the armed forces at a "high level of readiness" and said he was monitoring the situation in case New Zealand citizens had to be evacuated.

The situation following the coup remained confused.

While Colonel Rabuka effectively relinquished power, himself troops patrolled streets and remained in charge of maintaining security under the emergency declared by Sir Penaia immediately after the coup.

In the racial incident Wednesday, about 200 Fijians punched and kicked Indians assembled for a prayer meeting in the park outside the building where the chiefs were meeting. Witnesses said that at least 50 people were hurt. The mob later moved through the streets, smashing cars and store windows.

Suva's main hospital said 30 people were treated and that two of them had been seriously hurt. Doctors said many of the injured were women and children.

The Indians had gathered in support of the government of Mr. Bavadra, which was elected April 11 and was the first to be dominated by Indians in Fiji's 17 years of independence.

Sir Penaia and Colonel Rabuka appealed for calm after the violence. The colonel told 200 indigenous Fijians gathered outside the chiefs' meeting Wednesday that if there were no resolution of the political conflict, "then we will carry on with the military regime."

In a national address, Sir Penaia, himself a member of the council, indicated he would make an effort to persuade the chiefs to back him during a meeting later Thursday.

Although the Great Council of Chiefs has a minimal political role, it has exercised a right to address the British monarch, or her representative, on matters concerning the welfare of the Fijians.

People of Indian descent make up 49 percent of the nation's 715,000 people, and indigenous Fijians are 47 percent. Indians, most of them descended from indentured laborers brought here by the British in the 19th century, dominate commerce. Fijians have controlled politics. (AP, UPI)



A Fijian soldier stood guard on Wednesday in Suva.

President Reagan and Soviet leader Gorbachev

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Herald Tribune

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* THE COUPE GORDON BENNETT

The vintage car event of the year, organized by the Automobilclub von Deutschland (AvD) and sponsored by the International Herald Tribune as part of its centennial celebrations.

The rally will feature vintage cars from all over Europe and will be held over the same course, through the beautiful Taunus countryside, as the Gordon Bennett Cup race of 1904, when Kaiser Wilhelm II gave the official start before a crowd of one million enthusiastic fans.

It will be a memorable day. So, if you are within striking distance of Frankfurt, be sure to come and bring your family and friends. The official start will be at the Bad Homburg "Kurpark" at 9:00 a.m. and the finish will be in the afternoon between 2 and 5 p.m.

* James Gordon Bennett, Jr., the eccentric millionaire publisher, founded the European edition of his New York Herald Tribune on October 4, 1867. He was a keen enthusiastic sportsman. He introduced polo to the United States; he was the first transatlantic yachtsman; he was the founder of automobile racing and of football racing. The Gordon Bennett Cup, which he first offered in 1900 to encourage the infant automobile industry, was the direct precursor of today's International Grand Prix races and was the object of enormous popular enthusiasm at the time. The trophy, which was officially known as the "Coupe Internationale Automobile" in line with Bennett's policy of forbidding use of his own name in the pages of the Herald, today stands in the Automobile Club de France in Paris.

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U.S. Group Seeks Change In School Curriculum

By Barbara Vobejda
Washington Post Service
WASHINGTON — An unusually broad mix of leaders from government and the private sector has called for a restructured U.S. school curriculum that would extol democracy as "the worthiest form of government ever conceived."

The statement issued Tuesday also calls for an end to the self-criticism of the Vietnam War and Watergate eras in school curriculum.

It carries 150 names, including Secretary of Education William J. Bennett, Walter F. Mondale, Jimmy Carter, Gerald R. Ford, leaders of both major teachers unions, as well as the National Association of Evangelicals, a conservative group, and People for the American Way, an organization founded to counter the religious right.

In a document entitled "Education for Democracy," the group said "we fear that many young Americans are growing up without the education needed to develop a solid commitment to those 'notions and sentiments' essential to a democratic form of government."

It urged that history and humanities be taught in more depth and earlier, even in the primary grades, and called for more attention to world studies, with students required to thoroughly study at least one non-Western society.

The curriculum, the group said, should be reordered around a core of history and geography, always taught from the perspective of "understanding under what conditions people can enjoy rights and freedom."

"The idea is that history should be taught with objectivity but not with neutrality," said Diane Ravitch, chairwoman of the Educational Excellence Network. Her group sponsored the project with the American Federation of Teachers and Freedom House, an organization that monitors political and civil liberties.

The statement was the most recent in a series of recommendations that schools in the United States move away from the "values free" teaching said to be prevalent in the 1960s and '70s.

At a conference sponsored last month by People for the American Way, it became clear that politically liberal groups had moved toward their conservative counterparts in advocating that schools teach civic virtue and take clear positions on right and wrong, believed.

The statement released Tuesday echoed the theme, saying that "education for democracy" must "extend to education in moral issues."

"The basic ideas of liberty, equality and justice, of civil, political and economic rights are all assertions of right and wrong, or moral values," the document said.

"It is absurd to argue that the state, or its schools, cannot be concerned with citizens' ability to tell right from wrong," it continued.

In criticizing current curriculum, the document cited a teaching guide on human rights that gave equal significance to the "right" to take vacations, freedom of speech and the right to vote.



A WELCOME ON THE WAY — Chancellor Helmut Kohl of West Germany, right, greeting Prime Minister Amintore Fanfani of Italy to Bonn on Wednesday. Mr. Fanfani was on his way to meetings in France with the president and the prime minister.

Soviet Polls Show Skepticism on Change

Gorbachev Program More Popular With Managers Than With Workers

By Celestine Bohlen
Washington Post Service
MOSCOW — A significant number of Soviet workers are still skeptical about Mikhail S. Gorbachev's campaign to transform Soviet society, according to recent official surveys.

Samples of polls taken by the Moscow Sociological Research Institute, published in several leading newspapers this month, reveal weak spots in the Soviet leader's drive to change the economy and the attitudes of citizens.

The surveys, which focused on 7,000 workers in Moscow and in the Central Asian republic of Kazakhstan, as well as on young people in the Russian city of Orsk, showed widespread grass roots support for the idea of change, or perestroika, as Mr. Gorbachev's program is loosely called.

The polls also, however, disclosed a basic uncertainty, even distrust, about what changes will mean to people's lives.

This caution among rank-and-file workers could prove to be a handicap as the program enters a critical phase later this year. The Soviet press and Mr. Gorbachev himself have recently brought attention to the lag between early results of his program and the expectations it has raised.

"We are all unfortunately — or happily — impatient," Vilen Ivanov, director of the sociological institute, said in an interview. "Having put our efforts behind perestroika, we want to reap rewards today: new goods, more pay, better apartments."

A sampling of the survey results, drawn from the official newspapers Izvestia and Sovetskaya Rossiya, shows, for instance, that 62 percent of workers at a Moscow plumbing factory feel that the policy changes have simply meant more work for them. One-third of these workers

said they were waiting to see how the policy turned out. In Kazakhstan, 40 percent of workers surveyed said they did not want any changes in the wage system, and 24 percent felt the new policy of glasnost, or "openness," and criticism about shortcomings was doing more harm than good.

A significant gap in support for perestroika has developed between blue-collar and white-collar workers. For instance, in Orsk, 84 percent of young workers supported the policy of change, compared to 94 percent of those holding more prestigious jobs as engineers and service employees.

"In other words," Mr. Ivanov told Izvestia, "the closer you are to production, the lower your appraisal of the ongoing process."

Overall, 90 percent of those surveyed backed the program and only six-tenths of 1 percent were characterized as opposing it outright. But in terms of results, 94.8 percent of workers reported that reforms were coming about "slowly with great difficulty," or had not been felt at all. On the higher rungs of the work force, 63.7 percent responded that way.

The results mirror complaints in recent letters in newspapers expressing disappointment at the pace of change. A resident of the Ukrainian town of Oratov, writing to the Communist youth daily Komsomolskaya Pravda, said that, while change might be happening elsewhere, "I cannot say the same for my town. Everything here has congealed while we wait for something from someone."

The chief question put by the institute poll was one posed more and more openly in Moscow: "Who is blocking change?"

Many experts say the question is premature, since many of Mr. Gorbachev's economic changes are not in place yet. They argue that it will

be years before effects on the work place can be judged.

While some of the framework is still lacking, however, the policy of change has already affected the atmosphere in the country, with wide-ranging personnel changes and a new critical attitude in the press and in government toward sloppy or corrupt behavior.

In many enterprises, managers have been given greater latitude to distribute profits, and have been encouraged to show greater initiative.

Still, the poll illustrates a division between views from the front office and from the shop floor.

In one Moscow district, managers complained about worker inertia while workers accused managers of empty phrase-making and indifference, Izvestia said.

Earlier, more simplistic, analyses blamed resistance to change on the middle layers of Soviet society, on bureaucrats and officials. It now appears that resistance or distrust runs deeper in the society.

Mr. Ivanov said workers seemed less impressed by the policy than intellectuals did.

According to the poll results, the drive for democratization of the work place — one of the tools chosen by Mr. Gorbachev to involve workers in his program — has not taken hold. For instance, just over a third of workers in one Moscow

district were satisfied with their opportunity to influence the course of the policy.

The survey pointed to a Catch-22 situation that has bedeviled Soviet economic planners: Until workers see real changes, they will be reluctant to improve their performance.

"A restructuring" of work conditions, Mr. Ivanov said, "will take place at the point when there are qualitative changes in their legal and organizational forms, when the whole management mechanism is changed. The analysis of the situation in this regard so far gives little basis for optimism."

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Gorbachev Ends Silence On His Many Interests

New York Times Service
MOSCOW — Breaking a long silence about his personal interests, Mikhail S. Gorbachev said in an interview published Wednesday that his "weakness" was curiosity about too many things.

Mr. Gorbachev, who has disclaimed any desire for the kind of cult of personality that surrounded Stalin, told the Italian Communist Party newspaper L'Unita that he had had trouble deciding what to study in college because of his diverse interests.

"I cannot even say which disciplines in school attracted my special interest, which sciences I liked more and which I liked less," he said.

"I joined the department of law but at first I wanted to enroll at the department of physics. I liked mathematics very much, but I also liked history and literature."

He also said that "to this day I remember by heart poetry I learned at school."

"One might agree," Mr. Gorbachev said, "that people who concentrate on some specific field

achieve much in life, but still people with a broad outlook are more to my liking."

Since becoming first secretary of the Soviet Communist Party in March 1985, Mr. Gorbachev has deflected questions about his personal life, asserting that he is part of a collective leadership and that his personal interests should be of no importance.

In his initial response to the newspaper, Mr. Gorbachev said of questions about his private life, "In my country it is not quite customary to speak about such things but I will try to answer."

He told L'Unita, "In mature years, I have been more interested in economics, read and written on these topics. It can be said I know a thing or two in this field." He added, "But I have a continuing interest in philosophical questions, especially now."

"I have read a lot of literature on philosophy, books written in this country and in the West. I can say that a sort of 'epoch of renaissance' has set in for the Soviet Union, and the creative spirit of Lenin is reviving."

Booklet Profiles Successful Schools In Poverty Areas

The Associated Press
WASHINGTON — President Ronald Reagan unveiled Wednesday a guide intended to help transform U.S. schools in inner cities and poverty areas into a "ladder for success" for disadvantaged children.

The U.S. education secretary, William J. Bennett, said the handbook lays out what amounts to "the best strategy for breaking the cycle of poverty."

The booklet, "Schools That Work: Educating Disadvantaged Children," is the third in a series of guides prepared by Mr. Bennett's department for parents and educators.

It profiles nearly two dozen schools and programs that have produced top scores on achievement tests and low dropout rates in the depressed surroundings that are usually synonymous with failure.

Successful schools, Mr. Bennett said, often have no more resources than unsuccessful ones, but they deploy them better. He said a strong principal often makes the difference.

Israel Restricts Candidacy

Reuters
JERUSALEM — The parliament has barred candidates for public office from holding dual citizenship. The law, enacted Tuesday, apparently is aimed at discouraging Rabbi Meir Kahane from running again. Rabbi Kahane, a Knesset member and the founder of the militant Jewish Defense League, holds Israeli and U.S. citizenship.

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INTERNATIONAL Herald Tribune

After the Coup in Fiji

The Way It Should Be

They had a military coup last week in Fiji. The South Pacific paradise whose tourist slogan is "The Way the World Should Be." A Sandhurst-trained officer stormed into Parliament, leading his troops wearing white gas masks. Lieutenant Colonel Sitiveni Rabuka arrested the cabinet of a newly elected government. The coup splintered as the colonel freed the jailed cabinet. The governor general, who is appointed by Queen Elizabeth II, promised new elections. The duly elected prime minister rejects this deal.

percent of the population. The inevitable happened last month, when the new majority elected a predominantly Indian Fiji party, and the new government talked ominously of trying to oust cabinet ministers on corruption charges. Then came last week's crisis, which was evidently resolved by a deal calling for fresh elections and an amnesty. Fiji's ethnic disputes, and their sources in colonialism, are all too familiar. So is the tendency to reach out for foreign patrons and to claim geopolitical significance for a parochial power struggle. No sooner had Colonel Rabuka taken over than he was telling the press that he was only restoring Fiji's pro-Western stance: "The foreign minister I just ousted is a known frequent visitor to the Soviet Union, and the finance minister is a friend of the Soviet Union and Libya."

American Attention

By Tuesday, the worst of the trouble in Fiji seemed to have passed. The party representing the indigenous Melanesians had been voted out in April by the party representing the country's bare majority of ethnic Indians. A military officer purporting to speak for the losers staged a coup last week. Six days later, the British-appointed governor general arranged a fairly happy ending in which the coup makers gave up, receiving amnesty, and a plan was announced to hold new elections. No one seems to have been hurt except a Fijian who had seized a plane on the tarmac to obtain release of the officials arrested in the coup; he was hit on the head with a whisky bottle.

live with its divisions, if not to mend them, even after this nasty business of a coup. Fiji has been a good international citizen, providing peacekeeping units to the United Nations and disturbing no one, and it deserves sympathy in its time of testing now. In a spin-off of sorts, the coup has drawn fresh American attention to the potential vulnerability of some of the small, far-flung, Western-oriented states of the South Pacific. Coincidentally, or so they said, the Australians boosted out the Libyan Embassy on Tuesday—for "elasticity" dabbling with aborigines and the like. Libya is said to have made mischief in other ocean places, and meanwhile Moscow has begun to assert a blue-water naval and diplomatic presence of its own. There is no call for undue concern, but it is good to see that Australia and New Zealand spoke out strongly for the restoration of democratic rule in Fiji. They are the developed countries best situated to reassure island states that need reassurance.

Abandoned to Nazi Fate

Americans too young to remember World War II have recently been offered highly simplified reruns of Good and Evil. The question of Germany's war guilt was revived two years ago by President Reagan's stubbornly insensitive visit to the cemetery in Bitburg. What Kurt Waldheim really did during the war ignited angry argument before and after his election as president of Austria. Now the trial of Klaus Barbie in France inflames old questions about the guilt of French collaborators as well as of Gestapo torturers. The implication is that Europeans have reason for soul-searching, whereas Americans, detached, can congratulate themselves on military valor during the war and Marshall Plan virtue afterward. In truth, there is reason for everyone to do some soul-searching, Americans included. Rarely has evil faced the world so brazenly as during the Nazi horror. It must be measured on a unique moral scale; there is no comparing genocide with silence and passivity. Yet these offenses also need to be measured, and Americans shared in both. At the very peak of the slaughter, America slammed its doors and folded its hands.

— just 10 percent of the total that could normally have entered. The State Department, yielding to fear of a diplomatic backlash and domestic nativism, resisted pleas for saving large numbers of refugees. Only in 1945, with the war almost over, did Franklin Roosevelt establish a War Relocation Authority. A conference was held in Bermuda in April, yielding these headlines on successive days: "Refugees Are Warned to Wait"; "Conference Says Large Scale Rescue Not Possible Now"; "Scant Hope Seen for Axis Victims"; "Refugee Removal Called Impossible." In Mr. Wyman's view, Roosevelt's lack of response to the extermination of European Jewry was his worst failure. Much has been said about Pope Pius XII's silence about Nazi war crimes. Austria's reluctance to confront its embrace of Hitlerism has magnified the controversy over Mr. Waldheim's Nazi past. As for Poland, the failure of so many to lift a finger for imperiled Jews is examined at length in "Shoah," the French documentary film. What question should Americans ask themselves? Mr. Wyman puts the matter justly: "The Holocaust was certainly a Jewish tragedy. But it was not only a Jewish tragedy... The killing was done by people, to other people, while still other people stood by..." Would the reaction be different today? Would Americans be more sensitive, less self-centered, more willing to make sacrifices, less afraid of differences now than they were then? To judge by American receptivity to the boat people, the answer is probably yes. What counts as much is that silence is no longer acceptable.

All Treated as Equals

The U.S. Supreme Court ruled unanimously this week that a 19th century civil rights statute protects not only racial groups but also what are now considered ethnic groups. Citing three main sources — dictionaries and encyclopedias of the period, and the legislative history of the statute at issue — Justice Byron White emphasized that all the members of the court "are quite sure" that this interpretation of the law is correct. Modern anthropologists have identified three main racial groups: Caucasoid, Negroid and Mongoloid. It had long been assumed that when Congress passed the early anti-discrimination laws after the Civil War, it acted to protect freed slaves. More recently, courts interpreted the law to protect any of the three racial groups from discrimination. But in the two cases just decided by the Supreme Court, a more expansive definition of "race" was presented, based on the meaning of the word in the mid-19th century when Congress was debating the law.

ence books of the period similarly use the word to refer to groups of people "belonging to the same stock." There was no emphasis at all on skin color. Thus the court held that Congress intended to protect persons against discrimination based on their ancestry or ethnic characteristics — Jews, Arabs, Norwegians and Italians, for example. Modern civil rights statutes prohibit discrimination based on national origin, but there are advantages to litigating under the old law. The statute of limitations is longer, punitive damages are available and jury trials are allowed. The old law can now be used by Korean Americans against Japanese Americans or by Polish Americans against Irish Americans. Will this clog the courts? We doubt it, although there is always a possibility of frivolous suits. Where there are real problems of discrimination because of ethnic heritage, should not this litigation option be available? It is a premise of a diverse society that Americans treat each other as equals. No discrimination based on ancestry should be considered tolerable.

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OPINION Ask Mr. Gorbachev: What Is Peace if It Isn't Humane?

By Anatoli Koryagin

THREE months ago, together with other political prisoners, I was released from camp. But far from all the prisoners have been released. As a condition of release, each political prisoner is required to sign a statement in which he promises to refrain from future anti-Soviet activity. Some people agreed to sign such statements. Others categorically refused, or signed statements that had completely different meanings. I didn't sign any kind of statement, but I told them that I refused to renounce my former activities, which I do not consider to be anti-Soviet, and that immediately upon my release I would return to these activities. Nevertheless, they released me.

Soviet authorities are now faced with a need to put into practice their loudly pronounced policy that rebuilding the Soviet economy and Soviet life. The results of restructuring so far, however, do not allow us to say that liberalization is taking place. Perhaps the larger number of political prisoners are still in camps and places of exile, and none of them has been released. No political prisoner incarcerated in a psychiatric hospital has been released. Those who have been released were freed under a formula saying that they were pardoned. That means that formally they are still considered criminals. That means any attempt to express aloud one's own opinions, if they differ from the official line and propaganda, is still considered to be a crime. There are still many limits on Soviet citizens in the area of information.

Foreign radio stations are jammed, with the exception of the BBC. People who want to emigrate are not allowed to leave the country. The most elementary religious rights continue to be denied. The two overtly political articles of the criminal code, about anti-Soviet agitation and propaganda, and anti-Soviet slander, have not been removed from the criminal code. These articles directly contravene the Soviet constitution. This is why one still cannot think the process of democratization in the country has really gathered strength. I forgot to mention Article 188. This law contradicts all generally accepted juridical norms. It allows up to five years of continued imprisonment to be imposed on those already imprisoned if they don't fulfill the demands of the camp administration; if, for example, they violate camp regulations. This article provides the potential of continuous adding on, of one sentence after another.

There were instructions given in May 1984 to view prisoners on hunger strikes as violators of camp norms, and as a result they were put in punishment isolation cells. I personally see no real prospect that my comrades in the camps will soon be released, but I intend to struggle for them and also for the release of prisoners of conscience from psychiatric hospitals. This is the aim I have set for myself in the West. Continuous pressure must be exerted on the Soviet government, using any channels and at all levels and in the most varied areas of mutual contact. The more often there is discussion about prisoners of conscience languishing in the Soviet Union, the more one can hope for their rapid release.

As for official contact with the world of official Soviet psychiatry, until that world is no longer associated with the abuse of psychiatry, I consider it to be undesirable. But in private contact, one could conduct discussions about the need to create in the Soviet Union a special commission of highly qualified psychiatrists with no relationship to the Ministry of Internal Affairs. The task of this commission would be to examine and re-examine the diagnosis of patients in psychiatric hospitals whose symptoms sound politically motivated. It is important to struggle for peace. But one also has to struggle for a humane world. In prison in 1986, I smuggled out a letter developing three slogans under which one should struggle for peace. First, peace and humanism are indivisible. Second, peace should be fought for in the name of humanism, not of politics. Third, only a society with a human face and laws has the right to speak about peace for all mankind. The struggle for peace can be incomplete or, if you wish, not completely honest, if peace is relegated to the abstract realm and if it is not a peace requiring a humane structure of society.

Too Much Ado About Precious Little Glasnost

GLASNOST does not exist. What frightens me is the great enthusiasm in the West when 140 dissident prisoners are claimed to be released without anyone continuing to ask why they were locked up in the first place. Gorbachev has never said anything about the laws and the trials which put these people in prison being unfair or even being re-evaluated. At least under Khrushchev the government had the courage to declare openly that these people had been jailed but had committed no crime of any sort. Western correspondents will spot something out of the ordinary — say, an article in Pravda which is critical of a government official — and report that story in such a way as to make readers believe that this rare exception is becoming or has already become the rule. This is absolutely untrue. The most significant aspects of glasnost have been and will continue to be only very rare exceptions, and only those exceptions which the government decides it is safe to make. It is irresponsible not to remember this.

THE government has spoken about the rehabilitation of some authors. Its message is in fact that it will permit the public access to these few specimens of ugly and irrelevant writing although they were written by traitors. There has been no effort toward political rehabilitation of these authors. I do not regard that as any form of glasnost. — Natalya Gorbunovskaya, a Russian writer in Paris.

CERTAINLY we are not too quick to assume that because Gorbachev has made some expedient political moves, there is now a popular revolution in principle going on. As a Russian émigré, I would love nothing better than for just such a revolution to be taking place. However, I am all too acquainted with the constraints of Soviet Communist government. And while I welcome some of the things Gorbachev has done, it is clear that the importance of his actions is being greatly exaggerated in the West. — A dissident who asked not to be identified. His remarks, like those above, come from interviews conducted by Christopher Boim of the International Herald Tribune.

Hart's Withdrawal Gives The Republicans a Boost Against 'Seven Dwarfs'

By Kevin Phillips

WASHINGTON — Now that Gary Hart's withdrawal from the Democratic presidential race has left the field to candidates described by major publications as "the Seven Dwarfs," a new political reality is in the air. When the former front-runner went home to Troublesome, Colo., Colorado, Democratic prospects for 1988 took what could be a fateful turn toward disarray, regionalism and divisiveness. The Hart scandal itself is not really the problem. Aside from a few cautions about candidate maturity, it will not linger. However, Republican chances of retaining the presidency have been bolstered by the way his withdrawal maximizes a number of well-established Democratic institutional weaknesses. The first key, of course, lies in the Democrats' lack of alternative high-stature candidates. There is not much in U.S. electoral history to support the emergence of the next president from a group that mages and newspapers have started dismissing as midgets. The public had the message even before it was sent. Polls among rank-and-file Democrats show that support for all seven lumped together lags behind the various no-answer categories such as "undecided" or "call back when I'm not watching TV."

Which makes the comparative shortcoming of the seven remaining candidates important. For the most part, presidents elected during the 60-odd years since World War I have met two credentials criteria. Either they were prior vice-presidents, prior national candidates or men seriously discussed for a national nomination four or eight years earlier; or they were already president. Just two exceptions come to mind: Warren Harding, elected in 1920, and Jimmy Carter, elected in 1976. And if their political selection did not meet the stature test, well, by most yardsticks, neither did their presidents. All other relative unknowns and outsiders who talked or organized their way to a major party nomination went down to defeat, and most by landslides. Aficionados will cherish the laundry list: James M. Cox in 1920, John W. Davis in 1924, Alfred Landon in 1936, Wendell Willkie in 1940, Barry Goldwater in 1964 and George McGovern in 1972. The seven dwarfs now being-boog through the Democratic forest — Governor Michael Dukakis of Massachusetts, the Reverend Jesse Jackson, Senator Joseph R. Biden Jr. of Delaware, Senator Paul Simon of Illinois, Senator Albert Gore Jr. of Tennessee and former Governor Bruce Babbitt of Arizona — all easily meet history's probable-loser litmus test of being unknown (save for Mr. Jackson) and unproven. For voters to put one in the White House would be to take an atypical gamble. (The two Democrats who do meet the stature test? New York's Governor Mario Cuomo and Senator Edward Kennedy of Massachusetts.)



'Not a heavyweight in the joint!'

So the first net effect of the Hart debacle is to eliminate the one Democratic contender with the requisite background and opinion poll lead over the two Republican hopefuls of established stature. In this new context, the two Republicans should be able to lead all declared Democratic contenders for the foreseeable future. But it is more than that. If the Democrats on May 8 lost a man with a broad support base, they also lost somebody who might, absent his fatal flaw, have been able to sew up the nomination early. Relatively quick success is important. In the last quarter century or so, Democratic White House prospects have suffered markedly in the face of divisiveness or a drawn-out nomination fight. Since the mid-1960s the Democrats have been a tenuous national coalition unable to stand much fratricide and internal conflict — precisely what a drawn-out presidential nomination clash usually ensures. In past contests where contention was still operative as the California primary rolled around in early June, the Democrats' November victory chances ebbed accordingly. Next year's race looks like a textbook study in Democratic divisiveness. Analysts in both parties generally agree that it will be hard for any of the seven to jump to national prominence in the nine months until the Feb. 8 Iowa caucuses. A Dukakis challenge to Mr. Biden on arms control or a Gephardt-Simon debate on agriculture will be lucky to make page 37 with the lettuce ads. If the current seven stay in the race, Iowa could be an inconclusive straw poll. Regionalism and fragmentation could take over — with Mr. Gephardt strong in the Midwest, Mr. Dukakis in the Northeast, Sam Nunn in the South and Mr. Jackson among blacks. If geographic splits do develop, three or four middleweights could keep the fight going all the way to the sweaty summer convention hall. It is possible that a divided convention would draft someone like Mr. Cuomo, but not likely. History suggests that brokered conventions turn to little-known compromise choices. Since World War I, only three divided Democratic conventions have been brokered — in 1920, 1924 and 1952 — and the resultant nominee lost each time.

Of course, the Republicans can blow it. Further intra-party revelations could drag Mr. Bush down, and even fuel a "throw-the-rascals-out" voter psychology that could undercut uninvolved Republicans. A od the party could unwisely choose to ignore mounting evidence that the public favors a more centrist approach to politics in 1988, as well as a renewed emphasis on a positive role for government. For the moment, Mr. Hart's withdrawal gives the Democrats major institutional problems. A gaggle of candidates evoke a Walt Disney movie, and the Republicans can once again contemplate an at least even chance of holding the White House. The writer is publisher of the American Political Report, a biweekly newsletter. He contributed this comment to the Los Angeles Times.

Many Japanese Are Fascinated, Pro or Anti, by Faraway Jews

By John Burgess

TOKYO — The Jews, it seems, are to blame. The Japanese are casting about for explanations for their country's current economic troubles, and this one — the Jews — has drawn enough attention to make a best seller — 400,000 copies in 12 months — of a book entitled "If You Understand the Jews, You Can Understand the World." "International Jewish capital" has been secretly battering Japan for years, writes the book's author, Masami Uno. The biblically indelict of former Prime Minister Kakuei Tanaka

books. "Ninety-nine percent of the Japanese population doesn't know what Judaism or people of Jewish origin are," says Walter J. Citrin, a businessman who is chairman of Tokyo's Jewish Community Center. "They just consider them foreigners." Still, he is worried. "We feel the contents of these books will create a wrong impression among Japanese young people," possibly leading to anti-Semitism, he said. A few foreigners believe that anti-

five terms applied to Jews remain in Japanese-English dictionaries. In the 1930s the Japanese military concocted an idea to populate occupied Manchuria with up to a million European Jews seeking refuge from Nazism. The plan could have saved many lives. But its motivating factor seems to have been a belief that the newcomers would attract capital and learning from the United States. There is evidence, too, of feelings of a special affinity. Perhaps it is due to perceptions that Jews have the same sense of purpose and group loyalty that the Japanese admire in themselves. "Tiny religious sects have even sprung up preaching that the Japanese are one of the lost tribes of Israel. In Israel there is a forest named in honor of Chiune Sugihara, a Japanese diplomat stationed in Lithuania during the war who ignored his government's regulations and issued visas that enabled an estimated 4,500 Jews to escape to Japan. As the war progressed, the Japanese interned some European Jews in a Shanghai ghetto but otherwise generally resisted demands by Nazi Germany for wholesale persecution. After the war some Japanese saw a spiritual brotherhood with the Jews as victims of war. One side had Hiroshima, the other had Auschwitz. Anne Frank's story has always sounded a strong chord with the Japanese. In a recent two-week period, 35,000 of them paid the equivalent of \$2 or \$3 to see a Tokyo exhibit of objects from the girl's life. Proud of their "one-man society," the Japanese are forever treading unaware on the toes of other people's ethnic pride. Japanese television frequently depicts Africans as amusing savages. Many Japanese still cannot figure out why Prime Minister Yasu-

hiro Nakasone's comment last year about blacks and Hispanics lowering the U.S. educational level caused such a fuss across the Pacific. Most Japanese who buy conspiracy books probably have no notion that they present warmed-over versions of theories that the Nazis used to justify the murder of millions. Many might think twice if they knew how abhorrent the ideas are considered overseas. "People buy the books thinking it will give them an international outlook," says Akira Mizoguchi of the Middle East Institute of Japan. "Unfortunately, it makes a strong impression on those with little knowledge." Ironically, the Jews depicted in the books strongly resemble the stereotypical denizens of "Japan Inc." — rich, treacherous, manipulating, secretly

conspiring with every member of their kind to control the world. Jewish leaders in Japan are trying to bring foreign pressure to bear on the issue. In Washington, members of the Anti-Defamation League of B'nai B'rith have met Ambassador Nobuo Matsunaga to express concern. Two members of the U.S. Congress recently demanded that Mr. Nakasone take a stand against the books. In response they got a letter from Ambassador Matsunaga affirming that Japan opposes discrimination but that it also upholds freedom of expression. For now, Mr. Citrin of the Jewish center in Tokyo hopes that the issue can be played down in Japan. "The more it appears in the press here," he says, "the more books it sells." The Washington Post.

IN OUR PAGES, 75 AND 50 YEARS AGO

1912: Rumors at Court

BRUSSELS — For several days callumnyous rumors have been spread, not only in Brussels but throughout the country, concerning the Belgian Sovereigns. The story in circulation was that the Queen had surprised the King in intimate conversation with one of the maids in the palace and had shot the maid dead with a revolver. These rumors reached the ears of the Court dignitaries, who held a long conference [on May 20]. It was decided to inform the King of the rumors. His Majesty was greatly shocked and manifested profound indignation, and he at once informed the Queen. The King, determined to defend his private life, resolved to appeal to the Courts to put a stop to the state-ments, and M. Holvoet, the Public Prosecutor, was called to the palace. It is believed that the authors of the rumors will be quickly discovered.

1937: Trade and War

NEW YORK — Taking as his text "the fallacy of economic nationalism," Assistant Secretary of State Francis B. Sayre, addressing world trade groups assembled here for National Foreign Trade Week, declared that, "One of the major root causes of war today is the blocking of foreign trade." He pointed to the need for two-way trade and the beneficial effects of reciprocal trade agreements negotiated by the United States. "What is needed now in our country as well as in every other," Mr. Sayre said, "is the growing realization that if the world is to be saved from war, governments must resolutely resist policies of commercial isolationism pressed upon them by selfish pressure groups intent upon their own gain, and must instead adopt constructive and cooperative commercial policies such as will make for peace."

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OPINION

Psychiatry Is Conscripted To Protect the Kremlin

By George F. Will

WASHINGTON — It is a paradox of modern politics that two of the most intellectually primitive regimes have considered themselves servants of science. In 1934, Rudolph Hess said: "National Socialism is nothing but applied biology." The Soviet regime applies "scientific socialism," within which psychiatry has a special place, as Dr. Anatoli Koryagin can testify.

Dissent behavior must be biologically based and is thus treatable with drugs.

Dr. Koryagin, 48, was recently released to the West from a prison camp where he served six years of a 14-year sentence for the usual offense, "anti-Soviet activities," which included getting out to the West an article about Soviet abuses of psychiatry. Such abuses are as old as the Soviet regime.

Historian Paul Johnson notes that in 1919 the Moscow Revolutionary Tribunal sentenced an anti-Communist leader to treatment in a sanatorium. In the 1930s, the secret police built a 400-bed mental hospital (two wards pervertedly joined in Communist jargon) in the grounds of a mental hospital. In the 1940s, the leading Soviet research institution for criminal psychology had a department for "political" cases.

Dr. Koryagin says that since 1977 the number of psychiatric "hospitals" to which dissidents are imprisoned with the criminally insane has grown from 11 to 16. And "glasnost" has not involved the release of any dissident from a psychiatric "hospital."

The 1939 Nazi-Soviet pact truly was a joining of kindred spirits. Neal Ascherson, in the *New York Review of Books*, says German doctors were denied to discover that, under Hitler, medicine was "the central intellectual resource of the New Order." Doctors practiced "biological soldiering," perfecting the race by killing the unfit and using them for "research" to benefit the master race. And in the Soviet Union, psychiatry, a less settled science than biology, has been conscripted by the regime.

Since Freud postulated that the self is a fractious committee — ego, id and libido — there has been a reasonable doubt about the importance of reason in the individual's life. Freud, a semi-mat-

rialist, believed in the body and "consciousness," a passive ghost in the machine. His intuition was that civilization is a misfortune because neuroses result from maladjustments to the unyielding reality of modern society.

But Marxists hold that anything will yield to their "science" backed by force. They fancy themselves architects of societies so well-designed that they cannot be sources of discontent. Khrushchev said in Pravda in 1959 about people "who might start calling for opposition" to communism: "Clearly the mental state of such people is not normal."

Psychiatry, with its expanding arsenal of drugs, can be abused as a brutal instrument of social control. And the official Soviet premise, that only the psychologically disabled could fall to love socialism, enlists psychiatry as a rationalization for the regime.

In the West, neurological discoveries and pharmacological sophistication are confirming this much of a materialist thesis: Mental illness often is biologically based, as in brain chemistry. This of course does not confirm or even support the Soviet premise that mental disorders of Soviet citizens must be biologically based because Soviet society is too advanced to be a source of suffering for Homo Sovieticus, the new Soviet man manufactured for communism.

However, what is known about the biological basis of mental disorders is distressingly useful to totalitarians who believe that there is no intractable tension between human nature and society because both are infinitely malleable under the forceful application of this or that science.

Technically speaking (scientific socialists love speaking technically), the Soviet Union is, 70 years after the Revolution, still in the Glorious Transition Period. The transition to pure communism is not over because the state has not yet withered away. But Soviet society is close enough to scientific perfection that mental disorders, including persistent dissent, must be biologically based and hence treatable with drugs, at least theoretically.

A perennial question about the Soviet regime is: Does it believe and act on its ideological inanities? A reasonable conclusion is that its mind is a strange alloy of cynicism and sincerity. Dr. Koryagin stresses the cynicism, and cites a telling detail about the confinement of dissidents in psychiatric hospitals: Whereas people who are really mentally ill are confined until cured, dissidents have been given fixed sentences.

The regime has elastic standards on dissent behavior. When Dr. Koryagin's 7-year-old son received a severe concussion from a beating (all members of the family were beaten at various times in the street), a court held that it was a "natural" expression of public feeling against an anti-Soviet family.

Washington Post Writers Group.



The American Way Is to Rise by Degrees

By P.J. Wingate

WILMINGTON, Delaware — When Mark Twain was given an honorary degree by Oxford University in 1907 he was so pleased that he devoted a chapter in his autobiography to the subject. He wrote that "an Oxford decoration is a higher distinction than is conferable by any other university on either side of the ocean and is worth twenty-five of any other, whether foreign or domestic." He added that it had long been "an annual pain to me to see our universities confer an aggregate of two hundred and fifty honorary degrees upon persons of small and temporary consequence — and never a degree offered to me."

It is the rare man who is satisfied that the swath he cuts in society is as wide and gaudy as it should be.

(It should be noted that although Twain suggested in his autobiography that Oxford had given him his first honorary degree, he already had four; two from Yale, one from the University of Missouri and one from Johns Hopkins.)

The second reason lies in the Constitution of the United States, Article 1, Section 9 declares: "No title of nobility shall be granted by the United States; and no person holding any office of profit or trust under them, shall, without the consent of the Congress, accept of any present, emolument, office, or title, of any kind whatever, from any king, prince, or foreign state."

That puts an American at a distinct disadvantage. His English cousin, if he hasn't been born a prince, duke, earl or count, can always hope to be made one. Or at least to be made a Knight of the Realm, which allows him to put Sir in front of his name. Sir ranks as far above doctor in prestige as an elephant does

above a cockroach. An Englishman cherishes even an O.B.E. (Order of the British Empire) far more than he would a string of such honorary degrees as LL.D., Ph.D. or Litt.D.

On the Continent, the poor American is at an even greater disadvantage. Although kings, princes, grand dukes and the like no longer hold sway in most European nations, the titles linger on and, in the eyes of the owners, at least, add a luster that two dozen honorary degrees could not match. Even the tiny principality of Lichtenstein, which on a clear day can be seen in its entirety from the grand duke's castle, had by a recent count no fewer than 13 princes and princesses. Some are always out of the country, working as advertising executives or head waiters in chic restaurants, but wherever they go they take their titles with them, ready for display on suitable occasions.

So when the Constitution was framed in 1787, and forever removed all hope that an American could become a duke or even a sir, men turned to other things. They became Kentucky colonels, admirals in the Nebraska Navy, high potentates of the local secret lodge or the Grand Dragon of the Ku Klux Klan, until such things began to take on a comic significance. Then it began to dawn on the citizenry that "doctor" was an honorable and dignified title, and the annual number of honorary degrees rose from the 250 noted by Twain in 1907 to the about 8,000 that have been the average for the past 20 years.

Contrary to what the British may suggest, this has not meant an honorary degree for every American. For one thing, there are about 250 million Americans now, and a few have had more than their share. Herbert Hoover was awarded 85 honorary degrees, according to biographer Richard Smith, although others have credited him with more. But Hoover has been far surpassed in recent years by Father Theodore Hesburgh, president of Notre Dame University. He has 111, with the count rising. Even Bob Hope may overtake Hoover, since at a recent court the comedian had 60 and was still in high demand on campuses.

Women were late to the race, with only a handful having been honored by 1900, but they have moved up fast in recent years. As of April, former Senator Margaret Chase Smith of Maine was the leader, with 90. Sandra Day O'Connor received 22 offers of degrees the first year after she became a Supreme Court justice, but accepted only five.

A few Americans have rejected them all. H.L. Menckel, after spurning 23 offers, explained that "no decent man would accept a degree he hadn't earned. Honorary degrees are for corporation presidents, bishops, real estate agents, presidents of the United States and other such riff-raff."

The writer is vice-chairman of the Board of Trustees of Washington College in Chestertown, Maryland, and a member of its honorary degrees committee. He contributed this to the *International Herald Tribune*.

Letters to the Editor

Dear Diary So far, so good!

As Mr. Hoagland concludes, the 1983 constitution is detestable, and Nelson Mandela must be released. And yes, even Chief Buthelesi must be reckoned with — but in the right context.

DAVID E. SATOLA, Geneva.

Some of Us Don't Laugh

Major General Richard V. Secord is quite wrong to think that the whole world is laughing at the United States for its public investigation of the Iran-contra affair. On the contrary, what I and others perceive is a healthy democracy at work. In what other country can the elected representatives of the people bring the governing administration to heel for trying to deceive and bypass them? Would that it were so here in Britain.

MARCUS GUAQUINTO, London.

British Defense Policy

Although I have received a number of letters from readers complimenting me on my dissenting appraisal (*Letters*, April 16) of the British Labor Party's defense policies, I crave your courtesy to respond to critical responses (April 27) from Mike Gapes of London and Ben Lane of Solentuna, Sweden.

Mr. Gapes has clearly not read the third paragraph of my own contribution, in which I pointed out that there is all the difference in the world between a

member state of NATO that has never had nuclear weapons on its soil, nor been asked to have them within an accepted NATO strategy of comprehensive overall defense, and, on the other hand, the sudden unilateral withdrawal from its share in that strategy by a country — the United Kingdom — which, in accord with the 1979 dual track decision, agreed to have some intermediate-range nuclear weapons on its soil.

The statement that "the British government chooses this moment to engage in a massive increase in the capability of its strategic arsenal" is unfounded. The Trident program approved by Parliament in 1980 is an updating and reinforcing of our existing sovereign nuclear deterrent capacity. It has nothing to do with the intermediate nuclear weapons which the Russians and Americans are now discussing, and it follows along exactly the same lines as those adopted by previous governments since the last war — Labor as well as Conservative.

As for the accusation that implementation of the Trident program will mean big cuts in the British Army, Navy and Air Force contribution to NATO, this is no less absurd. Not even the harshest opponents of Trident can truthfully assert that its implementation will cost more than 3 percent of the total defense budget. If Labor promises to replace our deterrent by an increase in conventional forces which could have any meaning at all, we should instead have to meet at least double the total annual expenditure.

As regards Mr. Lane, if he is purporting to speak for the people of Sweden, I must say that the inhabitants of that friendly nation really are the least well-qualified to tell anyone else how to defend themselves. Sweden's traditional armed neutrality is a matter of decision by their government and their country, which we must all respect. Yet it remains a fact that it is only because of the defense efforts and sacrifice of others that Sweden has survived two world wars in peace and freedom and with the comparative security which it now enjoys. And Chernobyl has shown that today the maintenance of peace, freedom and security for all of us in Western Europe is inescapably a concern for all.

Sir FREDERIC BENNETT, M.P., Vice-President, Western European Union Assembly, London.

Guerrillas or Terrorists?

I was surprised to find you describing IRA terrorists as "guerrillas" in the report "8 IRA Dead Are Mourned by Marchers" (*May 11*). These are the people who creep about at night shooting defenseless men and women, old and young alike, and set off bombs in cafes and pubs. These are the people who have allied themselves with Moammar Gadhafi because he has promised them money, arms and explosives for their terrorism.

L.E. ALLWOOD, Le Chateau d'Olizon, France.

GENERAL NEWS

SUPER: In Research, Japan Promotes Coordination

(Continued from Page 1)

aside, believing the reported findings to be wrong. He gave it to a graduate student in physics, who had approached him and asked for permission to try it out in the lab "and make a joke of it."

The student, Hidenori Takagi, 26, found it was no joke at all. On Nov. 13, he and another student found signs of reduced magnetism in the material they were making, a sign that the paper's findings were valid.

"I was astonished, deeply moved," Mr. Takagi recalled. "I doubt I'll ever have such a feeling again." He reported his findings to a professor, who told him to buy a bottle for a celebratory toast. A half-dozen researchers raised glasses together.

Since then, the lab has been extremely busy. Mr. Chiba and other researchers often spend the night there. "At the very busiest times, I'm not really sure where my home is," he said.

The university's announcement that it had confirmed the IBM study had touched off a frantic wave of research. The giants of the Japanese electrical industry joined with personnel and money. "We didn't have to apply the whip," said Minami Ichikawa, a ministry superconductor specialist.

"The companies were off and running on their own." One of the groups formed to coordinate the research, the Science and Technology Agency's superconductor committee, has more than 100 member organizations. It is holding public symposiums and closed-door meetings between specialists, the first time the agency has tried to organize private companies this way.

Mr. Chiba said that the group might eventually agree to divide the research, perhaps with the government focusing on basic research and companies on commercial development.

A second committee, run by Ministry of International Trade and Industry, is smaller and less visible. More than 20 senior researchers from companies and government laboratories belong.

It has met formally only once since April. A smaller working group has convened four times. The group keeps the ministry informed and exposes top researchers in Japan to a few of their competitors' secrets.

"We try to get the researchers to put a little bit of distance between themselves and their companies and to bring in the results of their studies," said Hirokazu Nakazima, a ministry official.

Estimates of 100 Japanese labs in the race are heard. Many, however, are doing work that simply tries to duplicate others' accomplishments. Discoveries have come rapidly. On April 2, Toshiba announced it had fashioned a superconducting wire that worked at 93.7 degrees Kelvin, or minus 179.8 degrees centigrade. The Kelvin scale is based on absolute zero, at which all molecular motion stops. Zero on the Kelvin scale is minus 273 degrees centigrade.

On April 7, Mitsubishi Electric Corp. said it had found a material that worked at 95 Kelvin and would carry larger currents than previous materials.

The April edition of the English-language Japanese journal of Applied Physics carried 84 articles on superconductivity. Several public conferences in Tokyo have become the same sellouts seen at similar U.S. events.

In the long run, Japan's approach to superconductor development could be heavily influenced by an attitude common in Japanese society: While competition is believed to be good, harmony, stability and predictability are seen as equally desirable.

As of last year, the government was overseeing 427 cartels, ranging from major industries in decline, such as aluminum, to barber shops, where the government establishes a minimum price for a haircut.

Japan has antitrust laws, mostly put in place during the U.S. occupation after World War II. But they are enforced less vigorously than those of the United States. Laws for promotion of specific industries often give and trust exemptions.

Japanese offer their superconductor achievements as proof that their companies excel without government guidance. Japan has historically borrowed foreign technology, they say, but this time may be different.

In the United States, it is Bell Labs and IBM, the premier labs, that are working on superconductors," said Michihiko Nagumo, a Nippon Steel Corp. research director handling the materials. "It is an honor to be competing with them."

Many Japanese believe that even if they lose in the basic research, they can come from behind in a more important race — to commercialize the discoveries.

Japan's list of achievements is daunting: the videocassette recorder, the transistor, the color television, electrical generators, machine tools and broadcast equipment.

A researcher, Kiyohiko Jinnosuke, has written that, "By concentrating on the development of consumer technology and not wasting money and the country's best brains on military technology, Japan has been able to accomplish more than other industrialized nations in many areas."

Alice Sheldon, 71, an Author Of Science Fiction, Kills Self

Washington Post Service

WASHINGTON — Alice Sheldon, 71, who wrote science fiction under the pen name of James Tiptree Jr., shot and killed her ailing husband and then herself in McLean, Virginia, on Wednesday, the police said.

The bodies of Mrs. Sheldon and her husband, Huntington Sheldon, 84, a former analyst for the Central Intelligence Agency, were discovered Tuesday in their bedroom with bullet wounds in their heads, the police said.

"She left notes indicating she was going to do it," said Robert F. Horan Jr., a state's attorney. "Evidently there was some sort of pact between them. It appears that her husband's health was increasingly becoming more difficult for him."

Friends said Mrs. Sheldon suffered from depression and medical problems. Mr. Sheldon was bedridden and blind.

Her books include "The Women Men Don't See," "The Screwfly Solution" and "Love Is the Plan, the Plan is Death."

NOTES ON A CENTURY

The IHT's Paris Conference: Around the World in 80 Ideas

By Julian Nundy

Take a generous helping of monetary stability. Throw in a dash of business conducted by executives using lap-top computers on beaches in Tahiti. Relay the mixture by instantaneous world-wide telecommunications and pay for it all with plastic.

Then add to it, according to taste, Turkish desires to join the European Community and/or a soupçon of *glasnost* and you have at least one version of the "globalization" cocktail presented at the International Herald Tribune's Centennial Conference in Paris.

The April 13-15 conference, held to help mark the 100th anniversary of the newspaper's founding in Paris, brought together well-known men and women in politics, economics, business, scholarship and diplomacy to discuss issues raised by the theme "New Interdependence: Managing a Global Transition." A similar conference is to be held in November in Singapore.

Prominent among the three dozen speakers were Elizabeth H. Dole, the U.S. transportation secretary, and Alain Juppé, budget minister of France. Both vigorously extolled the golden opportunities for governments to do less — and thereby better.

Toyoo Gyohoten, vice-finance minister for international affairs in Japan, hinted that his country could become the "turntable for capital for developing countries" as part of larger international efforts to stimulate wider world growth. Chikao Tsukuda, of Japan's Industrial Policy Research Institute, predicted that Japanese gradually

will try to rely less on exports and direct more production to improving their own living standards. But several speakers also pointed out that Japan's success in exports has been due to Japanese excellence, not just to cheap yen.

One speaker explained the need for "democratization" in his country accompanied by changes in the law to "strengthen citizens' rights" and give them more opportunities for private enterprise. He was Vitaly Zhurkov, deputy director of the USA and Canada Institute of the Soviet Academy of Sciences. His glimpse of how Mikhail S. Gorbachev's *glasnost* or openness policy as presented to foreign audiences was followed by a series of critical questions from the floor, none of which appeared to perturb the speaker.

Sir Michael Palisser, former senior British diplomat and current chairman of Samuel Montagu, said that Western leaders should encourage Moscow along its apparent path of reform under the new Soviet leadership. But Europe's sometimes controversial economic dealings with the Soviet Union are constrained, one speaker said, by Soviet factories' inability to produce marketable goods to trade with the West.

The speaker, Etienne Davignon, former EC Commissioner, added that Europe's trade with the Soviet Union will continue sparking more political heat than economic light.

During a time when news of the fortunes of the dollar and the prospects of a nuclear arms accord in Europe were much to the fore, echoes of these topics were in plentiful supply at the IHT conference.

Karl Otto Pöhl, president of the Deutsche Bundesbank, talked directly about the need for a stable international monetary order. Helmut Schmidt, former Chancellor of West Germany, lamented that the world's major currency, the dollar, was a "yo-yo" and made a plea for a coordinated European defense system that would rely on conventional weapons instead of nuclear deterrence.

A major focus throughout the three days was how to cross national and regional barriers to mold the future, exploiting technological advances to make the world a more competitive single market commercially — and render it a

The IHT's Paris Conference: Around the World in 80 Ideas



Elizabeth Dole, U.S. Secretary of Transportation, and Alain Juppé, Budget Minister of France, chatted between speeches with Lee Huebner, IHT publisher.

safer and, perhaps, fairer place. Hideo Matsumura, of Nomura Securities, cited steps in Tokyo to attract foreign companies into the Japanese stock exchange and into his country's telecommunications market.

Several corporate leaders argued that technological advance often counts less in success than a company's ability to meet local consumer tastes and to maintain a reputation for quality. Russell Hogg of MasterCard International said that his company's marketing — notably the risky gamble of distributing millions of cards almost indiscriminately to launch the product — had done more than any technological innovation to wean people from checks to credit cards. Ebel Watches' managing director, Jean-Marc Jacot, said wristwatches today are considered almost as apparel, valued for design and image, much less for technological extras.

Quality was stressed by managers from sectors as different as fine luggage and banking. Louis Vuitton, said chief executive Henry Racamier, exports "European lifestyles" into an expanding world market for luxury goods. Banking

still relies on quality, said the president of Swiss Bank Corporation, Walter G. Frehner. Deregulation and rapid technologies are creating a wave of "financial supermarkets" offering a wide variety of banking and stock-broking services. But these supermarkets often standardize products: a universal bank such as Swiss Bank Corporation keeps customers by its discriminating service.

Alongside these reminders about traditional industrial values, R.W. Sturm, of AT&T, noted that the powerful combination of computers and telecommunications is creating "global corporations" with a single management system worldwide. A successful global corporation functions as a network with each of its companies operating autonomously in its markets while coordinating its work constantly with the rest of the group.

The process, it appeared, is an example of a trend called "globalization."

Globalization? John Ashworth, vice-chancellor of Britain's Salford University, who holds the not always popular view that educational institutions should strive for efficiency just as businesses do, bridled at the word. Acknowledging that the concept was almost certainly here to stay, he told the conference that he found the word ugly and cumbersome. And he made a plea for someone to come up with an alternative before "globalization" makes it into our daily vocabulary.

Any offers?

This is the sixteenth in a series of messages about the IHT which will appear throughout the Centennial year.

SCIENCE

Power, Sex and Self-Destruction



People who came to grief, from left: The TV evangelist Jim Bakker (shown with his wife Tammy); the presidential candidate Gary Hart; and President Richard M. Nixon.

By Daniel Goleman
New York Times Service
THE drives that lead powerful men to self-destructive sexual encounters have little to do with sex, according to psychiatrists and other mental health experts.

Instead, they cite an explosive psychic combination of unhealthy narcissism and a grandiose sense that normal rules do not apply to oneself. At work are the narcissist's desperate need to prove himself and, paradoxically, a deep urge for failure.

No one can say from afar what motivates a given public figure; psychotherapists cannot diagnose at a distance. And a single incident in a person's life — no matter how notorious or consequential it becomes — may not indicate a lifelong pattern in personality.

Still, many experts see patterns in the well-publicized difficulties of Gary Hart, whose presidential campaign ended amid allegations of "womanizing" and Jim Bakker, the television evangelist who left his pulpit after an adulterous affair.

The sexual nature of the indiscretions is, no doubt, partly due to the opportunities for dalliance that power and fame bring. "Some women love to be involved with men of power; it's a mutual seduction," said Judd Marmor, a psychoanalyst in Los Angeles.

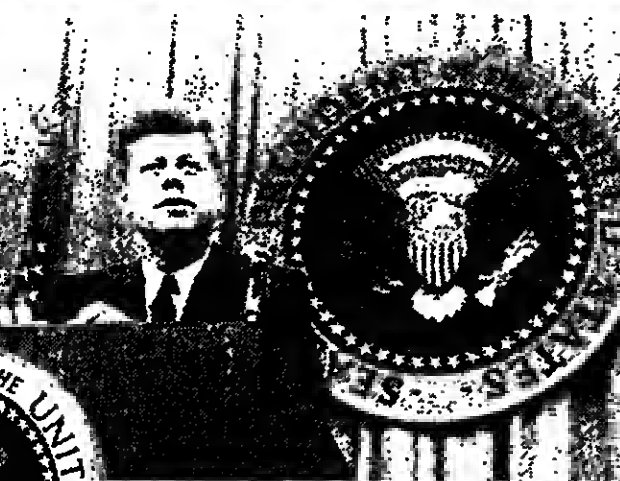
Psychologists say the syndrome can lead to other kinds of abuses of power unrelated to sex — even to

debacles like the Iran-contra scandal or Watergate. "There is a terrific seduction of the spirit that takes place when you are surrounded by admiring throngs, when the red carpet is laid out for you," said Dr. Marmor. "Unless you are aware of the blinding effect the adulation can have, your judgment can be impaired so that you begin to feel that you are immune to normal limits and penalties. You see it in Gary Hart, and you see it, too, in the arrogance that lies behind Irangate."

Ann F. Lewis, national director of Americans for Democratic Action and former director of the Democratic National Committee, said: "From the moment you enter the world of a presidential campaign, the normal rules no longer seem to apply. You're in a vacuum-sealed universe where everyday concerns no longer exist. It's easy to forget the rules of the real world. But they are neither expired nor suspended — they're waiting for you right outside the door."

That feeling of grandiosity is one of the appeals of power in the first place, particularly for the character type known to psychoanalysts as the narcissist. "Hart wanted to feel he led a charmed life," said L. Jolyon West, chairman of the department of psychiatry at the medical school at the University of California at Los Angeles. "He had a self-deceptive sense of invulnerability; he seemed to believe he would not be found out, no matter the risks he took."

There is a healthy variety of narcissism, a feeling of excellence that



President Kennedy also transgressed but was not pilloried.

is the natural companion of true accomplishment. Indeed, a certain degree of healthy narcissism is thought to be a prerequisite to success in politics, as in other fields. But the pathological form of narcissism impels people to achieve for neurotic reasons.

"Most of us get enough sense of self-worth in childhood that we don't need to rely on constant praise from others for it," said Robert Michels, chairman of the department of psychiatry at Cornell University Medical College. "But if as a child you have a sense of being unloved, then you can go through life like a child forever seeking love and approval; you need to have praise simply to feel merely adequate."

Closely linked to the striving for achievement in unhealthy narcissism is a need to fail. The uncon-

scious moral standards are. They get themselves in trouble as punishment for having gotten something that, deep down, they do not feel they should be allowed to have.

Such people may invite discovery. "The circumstances of Hart being found out and of Nixon being the conversations that made him both suggest people who, at some level, want to be caught," said Lester Luborsky, a psychologist at the University of Pennsylvania. One political analyst said he felt Hart's problems resulted from "ambivalence about the presidency" — both wanting it and not wanting it, as Hart himself has said — "rather than a political death wish."

Another hallmark of the narcissist — and it often dooms their relationships — is a preoccupation with their own gratification, in combination with a lack of regard for how others feel. "Such people come to feel they can do no wrong, and should be allowed to do whatever they want," said David Spiegel, a psychiatrist at Stanford University Medical School.

The psychological experts suggested that there may be factors that would lead the public to react strongly to transgressions that would have been forgiven in less elevated figures — or in an earlier time.

For example, the extramarital sexual encounters of John F. Kennedy and Martin Luther King Jr. were well known by their immediate circle and even by some members of the press. But things have changed since then. Some experts

point to changes in the status of women since the early 1960s. Others point to heightened concern over the president's role in the fate of the world.

"Now, more than ever in history, our personal welfare depends on the moral fiber and judgment of the president," said Milton Greenblatt, a psychiatrist at UCLA, who has made a study of the presidency through history. "That makes us more critical of that fiber than before."

Dr. West of UCLA said: "There is a special meaning to sexual indiscretions in someone like a presidential candidate, or a minister, for that matter. Why are we preoccupied with the old-fashioned image of an ultra-pure, loving couple — the Harts or the Bakkers? With the family so threatened and fragmented today, we want our leaders to reassure us that the ideal is still viable. We want them to symbolize that for us. When they don't, we feel a betrayal, because they have destroyed our idealized image of the family."

Dr. Greenblatt likened the president to "an idealized good parent," saying: "He's supposed to be pure, monogamous, fatherly. If he betrays that ideal, we're outraged, like small children whose parent lets them down."

Bill Hamilton, a political consultant at Hamilton, Frederick & Schneiders in Washington, agreed. "People cannot forgive things in the president they would in a governor," he said. "He's the last man between them and nuclear war, economic instability, world turmoil. They want to know the guy is solid and knows himself."

IN BRIEF

Nitrous Oxide Depletion Is Reported

BALTIMORE (NYT) — Radio observations in Antarctica have revealed another "hole" in a chemical of the stratosphere, deepening the mystery of what happens there in the spring. The "hole" that has been the primary concern is in the ozone layer that protects the Earth from damaging ultraviolet solar rays. In recent years, scientists have documented a marked seasonal decline in ozone over Antarctica. Now, scientists also report a mysterious seasonal gap in nitrous oxide.

Nitrous oxide is constantly being formed, chiefly by biological activity, and normally is diminished only gradually by a variety of chemical reactions in the stratosphere. It is usually spread uniformly from pole to pole. Yet the nitrous oxide findings underscored the continuing lack of knowledge. The role of nitrous oxide is unclear since the gas is thought to be involved in chemical reactions that both generate and deplete ozone.

Cancer Virus Linked to Drug Users

NEW YORK (NYT) — Scientists of the National Cancer Institute have found a surprisingly high prevalence of a rare cancer-causing virus, HTLV-1, in drug abusers tested in New Orleans and six New Jersey cities. "Physicians in these regions should be alert to the possibility of adult T-cell leukemia-lymphoma syndrome, a malignancy with an often explosive clinical course," the scientists said in a summary of their report, presented at a cancer research meeting in Atlanta.

The virus can cause leukemia and related blood cancers as well as damage to the central nervous system. Shortly after its discovery in 1980 in a region of southern Japan, where it was linked to an unusual incidence of leukemia, the virus was discovered in some people of African ancestry in the Caribbean basin and then in the southeastern United States.

New Drug Aids Schizophrenics

CHICAGO (AP) — A new drug that has been shown to help one-third of previously untreatable schizophrenics with irreversible brain damage may offer insight into the causes of the disease, researchers say. Although the drug has a potentially fatal side effect, it is the first to show improvements in patients whose brain damage suggested they were beyond the help of drugs, said Dr. Herbert Meltzer of Case Western Reserve University in Cleveland, one of the directors of a new study of the drug's effectiveness.

"I would predict within three to five years we'll have a safer version of this drug and we'll know more about schizophrenia," Dr. Meltzer said at the annual meeting of the American Psychiatric Association. He and his colleague, Dr. John Kane of Long Island Jewish Hospital in New York, reported that about 30 percent of the estimated 300,000 Americans with untreatable schizophrenia improve with the drug, clozapine. "This is the first time in the history of these drugs that any one anti-psychotic drug has been shown to be superior to any of the others," Dr. Meltzer said.

Americans Found Careless About Sun

WASHINGTON (UPI) — Two-thirds of Americans are aware that too much sun can lead to skin cancer, yet many sunbathe without a sunscreen and some have increased the time they spend soaking up rays, a survey for the American Academies of Dermatology and Pediatrics shows.

Of 1,138 sunbathers and adults surveyed, 21 percent said they were sunbathers. Of the sunbathers, 79 percent said they were concerned that exposure to sun can lead to skin cancer, or melanoma, and 73 percent are concerned about premature skin aging. But 24 percent of the sunbathers said they were spending more time in the sun than they did several years ago, and only 36 percent of those surveyed had used a tanning or sunscreen product in the previous four months.

The academies said a third of all cancers are skin cancers and that exposure to sunlight is responsible for 90 percent of skin cancer.

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Norway: Political Stakes

IN THE NEWS

June 18, 1986: Austerity Introduced by Brundtland

The parliament approves a \$426 million austerity package in the first major test of the Labor government of Prime Minister Gro Harlem Brundtland. The final package included Norway's biggest public spending cuts since World War II but the government failed to gain support for a 2 percent increase in personal income taxes that would have netted an extra \$40 million.

Aug. 22: Oil Companies Get a Tax Break

Finance Minister Gunnar Berge announces a 25 percent cut in the tax burden on companies producing oil and gas from its offshore fields. The measures are aimed at keeping foreign oil companies interested in Norwegian activities despite low oil prices. The reforms are expected to cost the government about 2.4 billion kroner (\$363 million) between 1987 and 1990.

Dec. 2: France Agrees To Join Gas Project

France approves its part of an agreement to buy natural gas from Norway after earlier threatening to pull out of the deal. Under the \$70 billion agreement, West Germany, the Netherlands, Belgium and France will finance the building of a pipeline from the North Sea to Belgium. Beginning in 1993, the four nations will be supplied gas for 27 years.

Dec. 17: Revised Budget Passes Parliament Test

The government survives a parliamentary vote on its revised 1987 budget after reaching agreement with opposition parties on tax increases. The budget's approval represented the toughest test to date for the Brundtland government, with the economy still suffering from its heavy dependence on falling oil revenues.

May 15: New Measures On Spending Proposed

The government sends its revised 1987 budget to parliament. It proposes increasing public expenditure by 2 billion kroner, which will be covered by trimming existing budget commitments and raising fees for several state services. A proposal to boost revenue by placing a turnover tax on trading in Norwegian stocks, to be divided equally between buyers and sellers, has met with sharp criticism from share dealers.

IN THIS REPORT

Economic Pressures 10

The Norwegian economy is running at full steam, and this is not entirely happy news.

Computers 12

The computer revolution arrived later than in other European countries, enabling Norwegians to draw on the experience of others.

Oil Outlook 13

After a stormy year of volatile prices, uncertain plans for exploration and government changes, the oil industry is on a calmer course.

Touring Jotunheim 12

Norway's travel secret is the Jotunheim, or "home of the giants," a stunning combination of alpine peaks, glaciers, waterfalls and lakes.

Brundtland's Survival

Opposition Split Keeps Left in Power

By Per Egil Hegge

OSLO — After one frustrating year in opposition, the Norwegian Conservative Party is heading a make-or-break effort to topple Gro Harlem Brundtland's Labor government before the midsummer parliamentary recess. The trouble is that the Agrarian Center Party, one of the Conservatives' two former coalition partners, is dragging its feet.

And opinion polls show that most Norwegians share the prime minister's confident view that she will survive in office until the parliamentary elections in September 1989.

The impatience on the part of the Conservatives was very much in evidence during this month's national party conference. Their new leader, Rolf Presthus, demanded a change of

government before the middle of June. The applause was strong — only to be followed by the familiar "yes, buts" from the Center Party.

The three-party coalition of the Conservatives, the Christian People's Party and the Center Party, held together from June 1983 until it fell in April last year. In the elections in 1985, the coalition lost its majority in the Storting, or parliament, and became dependent on the two votes of the maverick rightist Progressive Party.

The Progressives, led by Norway's most telegenic politician, Carl L. Hagen, joined forces with their socialist enemies to defeat a modest austerity measure, and the government resigned.

Mrs. Brundtland took office and promptly reintroduced the austerity measure that she had voted against in order to bring down the government. For the last year, she has dominated Norway's political stage. She has also become an international figure of some stature, not only because she set a world record by naming a cabinet with eight women but also because she is head of the United Nations Commission for Environment and Development, which presented its report at the end of April.

The three former coalition partners will face a serious credibility problem if they prove unable to rejoin forces and present a government program designed to put them into office before the June recess, which lasts until October.

They proclaimed last year that the Labor government would stay in office for only a few months. But in December, the Center Party voted for the Labor government's economic proposals against their former Conservative partner. The former coalition thus seems, in-

creasingly, to be much like Humpty-Dumpty.

The question most foreigners ask is why Norway has a Labor government when there is a majority of non-socialists in parliament.

The psychological part of the answer must be sought in the old animosity between the Conservatives and the Center Party, which until a generation ago was known as the Agrarian Party.

The Conservatives were very much an urban crowd with hardly any following outside the cities, and the voters of the two parties have, up to now, reflected two highly differing lifestyles.

There are also regional differences of an almost Italian complexity. Locally, the Conservatives and the Center Party work well together in the western parts of Norway, while they



Gro Harlem Brundtland

Continued on page 12



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Demographic changes have put increasing demands on the pension system.



John Copes-Von Hesse

The 'Two Welfare States' And a National Dilemma

By Kaare Hagen and Gudmund Hernes

OSLO — In Norway, there is not one welfare state but two. The tension between them poses grave political challenges that are exacerbated by demographic changes and external shocks to the economy. If one of them, the welfare state for citizens, is to survive, the other, the welfare state for business, has to give way.

Ordinarily, the welfare state is conceived of as state responsibility for the well-being of its citizens. In Norway, the cornerstone of this system is the People's Pension Program of 1967, providing not only pensions and cash benefits during unemployment or disability, but also health insurance. An average salaried employee receives 100 percent of lost income in case of illness, 70 percent in old-age pension and 60 percent if unemployed.

Its two salient features, universal coverage and income-related benefits (as well as contributions), are the chief explanations of the almost unanimous popular support for the social security system. Polls regularly report 80 to 90 percent in favor of maintaining or expanding the present arrangements. No government can ignore this consensus.

However, a proper view of Norwegian welfare policies must include the comprehensive set of "welfare" arrangements developed in the postwar period in order to shield firms and their employees from the vagaries of international competition and business cycles.

To ensure full employment as well as continued settlement in rural areas, a large number of public transfer arrangements have been developed within a broad political consensus. By subsidizing marginal economic activities (including a guaranteed income for farmers), these two policy targets have been fused. Transfers to agriculture, fisheries and manufacturing amounted to 14 billion kroner (\$2.2 billion) in 1984, compared with 20 billion kroner for old age pensions the same year.

The prominent role of public regulation and intervention, both

in shaping the universalist welfare state and in subsidizing economic activities, is best understood as a historical compromise between a unified labor movement and rural-based bourgeois interests.

For topographical reasons (waterfalls and minerals), Norwegian industry was to a large extent based in rural areas, with local communities heavily dependent on one or a few companies. The social democratic objective of maintaining employment in these traditional industries converged with conservative interests in preserving rural settlement. The combined threat of falling international industrial demand and increasing world agricultural supply has generated arguments in favor of institutional employment guarantees.

This comprehensive welfare

policy has beyond doubt been successful. It has been based on, and has in turn huzzessed, a national consensus.

However, these policies have economic and political consequences that may now jeopardize the institutional welfare model. Public transfers have frozen the industrial structure and tied manpower to the production of commodities with no or declining market potential. Secondly, an unintended effect is that marginal economic groups under the shelter of public transfers have developed organizations with a political muscle out of proportion to their economic significance. In fact, this is a highly rational response in a system where as much or more has been gained through bargaining and pressure on government guarantees.

Continued on page 13

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Inflation and the Deficit

Growth May Be Declining After Spree by Consumers

By Juris Kaza

OSLO — Just as an inflationary consumption boom shows the first signs of easing, economists say steady energy prices are threatening to lull Norway into complacency about problems in the non-energy-related sectors of its economy. Oil prices have recovered and stabilized at around \$18-\$20 per barrel in recent months after the sharp fall last year.

"The Norwegian economy is still running at full steam," said Bjern Skogstad Aamo, undersecretary of state in the Ministry of Finance. He made it clear that this was not entirely happy news.

A boom that expanded private consumption 16 percent in volume terms in the two-year period 1985-1986 is just starting to flatten out, and Mr. Aamo expects inflation in 1987 to hit 8 percent, somewhat higher than the 1986 rate of just over 7 percent. On a 12-month basis, inflation was touching 10 percent during the first quarter of 1987.

Economic growth in 1987 may slow to between 2.5 percent and 3 percent, including the energy sector, and 1 percent excluding energy, down from 3.8-percent growth (3.5 percent non-energy) in 1986, the Finance Ministry said. It added that "for years, we have had growth well above the European standard."

"Our most serious problem is prices and costs," said Mr. Aamo, an economic spokesman for Gro Harlem Brundtland's minority Labor administration. "It takes time to cool down the economy."

He pointed out, however, that most 1987 labor contracts had been renewed without wage increases, and that the government was making progress in cutting or stabilizing expenditures for subsidies to ailing industries and social welfare. Norway's unemployment hovers around 1.5 percent to 2 percent, a figure economists consider the rock bottom in any modern industrial society.

"The 1987 wage agreement looks promising on the surface, but we had high increases last year," remarked Tor Bang, chief economist of Den norske Creditbank, Norway's largest commercial bank. "In addition to these national talks," he said, "you have had company-level agreements, and we've seen strong unions press for considerable increases. Some have gotten 10 percent raises against the recommendations of both the trade union confederation and the employers' central negotiating organization."

Mr. Aamo said the government was narrowing its forecast of a current account deficit to around 50 billion kroner (\$4.51 billion) for 1987 from earlier forecasts of 39 billion kroner. One major reason, he said, was "the somewhat better oil price and somewhat higher oil production."

Indeed, oil and gas exports accounted for more than 40 percent of Norway's total exports, and without the energy sector, the nation's trade account has been running a deep deficit.

"The current account deficit will be our main problem in coming years," said John Tvedt, a senior economist at the Bank of Norway, the central bank. "There's no problem in financing it over the next few years, but there will be if we don't do anything with our policies and it becomes a chronic deficit."

Mr. Tvedt thinks the steps Norway needs to take are "mainly in fiscal policy, and number one is to keep public spending down, especially transfer payments, such as the subsidies we have for ailing industries."

Mr. Bang of Den norske Creditbank cautioned that government revenues are especially sensitive to oil price fluctuations because of the high taxation of North Sea operators' profits.

"We must think not so much in terms of the dollar oil

price as of the effective Norwegian kroner revenues," he said. "What really matters is the purchasing power of a barrel of oil. With a lower Norwegian kroner oil price, most revenues go to cover operating costs, but when the kroner price rises, the government is the beneficiary to the extent of 85 percent."

The bank economist pointed out that most reporting of Norway's North Sea production in terms of "equivalent barrels of oil" masks the high proportion of natural gas. "It is around 50-50," Mr. Bang said. "While the oil can be sold worldwide, gas sales are to Great Britain and European markets, where we are directly connected by pipeline. So we are dependent on demand in those markets."

"We need an oil price cut," Mr. Tvedt said. "When we

had one, we saw our problems much more clearly. The bottlenecks appeared, and those were our very tight labor market and the deficit in 'traditional' trade."

Mr. Aamo at the Finance Ministry asserted that the minority Labor government, which took power in early 1986, had been relatively successful in coping with Norway's immediate economic problems. Last year's effective 10 percent devaluation of the kroner "was a necessary defensive measure that has so far been successful," he said.

"After the wage increases and the shorter working hours (starting in 1987) that were part of the settlements, we expected a decline in competitiveness of about 10 percent," Mr. Aamo said. "That, together with constant pressure on the kroner, was the reason we had to devalue. We have been able to fend off a worsening of our competitiveness, but we haven't been able to improve our position."

Acknowledging the calls for reduced spending, the Finance Ministry official said, "We have a fairly tight budget. In fact, Norway is the country in Europe with the biggest budget surplus. We need to have a deficit in the budget when oil revenues are excluded, and now we have a surplus even without oil revenues. This is the result of our measures, which included both tax increases and some spending cuts."

Industry economists do not fault Mr. Brundtland's administration for not going far enough.

Tor Steig, chief economist of the Norwegian Federation of Industries, said: "Since the 1986 oil price drop, politicians and public opinion have shifted to thinking in terms of reallocating resources in Norway. There is agreement on the topic. The difficulty is that we have no political majority. Both blocs have to rely on the middle in the Storting [parliament]. That's where you have the Center Party, with their farming interests, and the Christian Party, who are reluctant to cut any benefits to families."

"In 1987," Mr. Tvedt said, "we will be coming closer to achieving balance, but we still have a long way to go, and further measures are needed to get sustainable balance."

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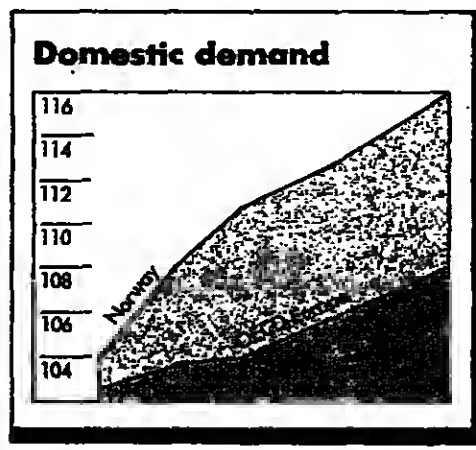
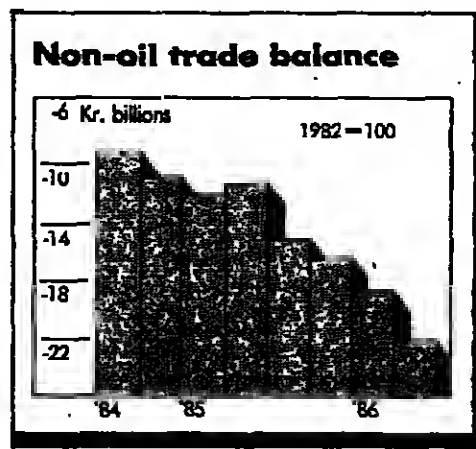
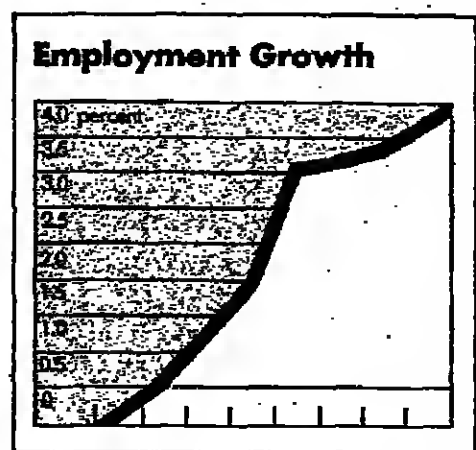
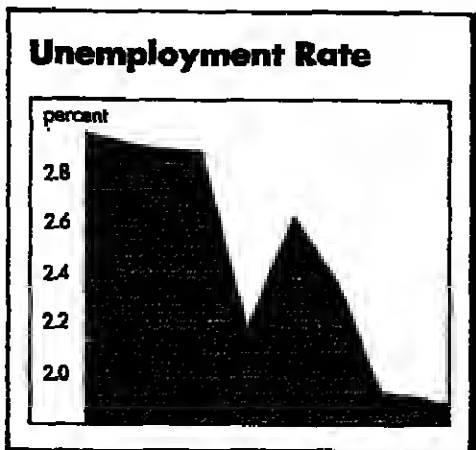
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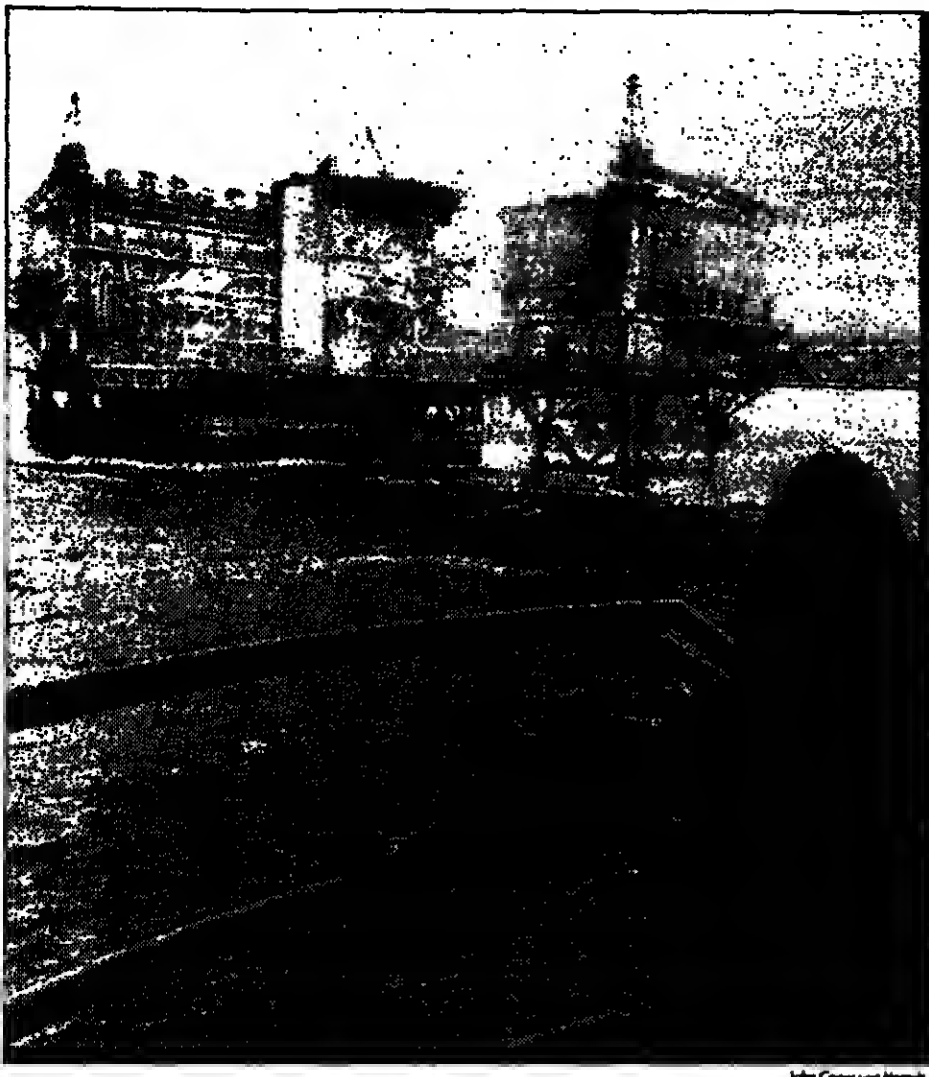
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PRESSURE POINTS

Symptoms of an Overheated Economy

WHEN the price of oil began its downward slide at the end of 1985, the Norwegian economy had already been thrown out of balance. Fueled by expansionary fiscal and monetary policies in 1984-85, real income gains and financial conditions, symptoms of an overheated economy became apparent, particularly in the labor market. Imbalances widened further in 1986, the Organization for Economic Cooperation and Development notes in its new report on the Norwegian economy.



EXPLORATION: Ekofisk, located 280 kilometers southwest of Stavanger, was the first petroleum field on the Norwegian continental shelf to be declared commercial. A Phillips 66 field, it was discovered in December 1969.

John Capovilla/Herald

Source: OECD

JURIS KAZA, based in Stockholm, contributes regularly to the International Herald Tribune's business pages.

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Keeping Reins on the Economy

Government Takes Cautious Stand on Spending in Revised Budget

Special to the IHT
OSLO — Norway's minority Labor government, mindful of the volatile prices for its crucial North Sea oil, has declared that it may have to keep a tight rein on the economy for several years to come, despite some signs of improvement.

Last week, the government sent its revised 1987 national budget to the Storting, or parliament, indicating that current higher oil prices did not mean that the country could allow freer government spending.

Although the revised budget has drawn predictable political flak from the government's opponents, economic analysts generally think Labor is right to strike a cautious note.

Norway is Western Europe's second biggest oil producer after Britain, pumping about one million barrels per day from its offshore fields.

But with four million people scattered over a huge area, Norway lacks Britain's industrial depth and resources, with oil bringing in almost 50 percent of total export earnings.

That dependency meant Norway was hit very hard last year,

when the price of crude oil fell from about \$30 a barrel to \$9 in just six months.

So the caution is understandable. The government wants to keep the economy from plunging into crisis every time oil prices drop.

The fact that oil prices have climbed back to about \$19 a bar-

rel and that production over the last year has increased mean that the economy looks better than it did last summer, when oil prices hit their lowest point.

But the government is still grappling with 10 percent annual inflation — far higher than that of its trading partners — a huge foreign trade deficit, excessive

private consumption and a severe loss of industrial competitiveness due to spiraling costs.

The initial 1987 budget was thrown out by parliament last year and Finance Minister Gunnar Berge had to announce a compromise plan last December, which cut earlier proposed state revenues by 550 million kroner

The state is practically obliged to spend large amounts in Norway, simply to support the social infrastructure in a sparsely populated country — something that voters in this welfare society expect.

The revised budget proposed increasing state expenditures by 2 billion kroner to cover "unforeseen" public costs.

Finance Ministry officials say the extra cost will be covered by trimming existing budget commitments and raising fees for several state services, such as annual automobile re-registration.

But a further proposal to boost state revenues by placing a 2 percent turnover tax on trading in Norwegian shares, to be divided equally between buyers and sellers, has met with sharp criticism from house officials and share dealers.

Government officials say the move will bring a much-needed 400 million kroner a year.

But share analysts say it is bound to limit interest in Norway's stock market, which recently hit record levels before a sharp turnaround, since foreign investors will not be exempted from the tax.

At a time when Norway would dearly like to get away from its

dependency on oil, the tax may curb interest in precisely those sectors of the economy, such as the computer company Norsk Data, that need encouragement.

The analysts also argue that the stock market, which already imposes tough restrictions on the amount of shares that foreign investors can hold in companies, needs less restrictions if it is to help the economy.

Norway's liquid money market, strapped by a plethora of reserve requirements and other limits, is an area that Conservative Party politicians as well as the central bank say needs liberalizing.

But the revised budget has held back from that, maintaining the tight government hold over the economy, although it does make a few concessions.

Norwegians are not big savers and private consumption has surged by 17 percent in the last two years.

Finance Ministry officials say there are signs that private consumption has eased in recent months, partly due to a 20 percent penalty reserve requirement that banks must pay for lending above government-set base rates.

But the revised budget proposes scrapping a 5 percent pri-

mary reserve requirement for commercial and savings banks, in a move aimed at decreasing bank lending costs and lowering interest rates, which currently hover around 16 percent in the money market.

But bankers say this is not enough. They claim that, if the penalty reserve requirement is

not lifted, it will ultimately increase loan costs passed on to borrowers through higher interest rates.

In its revised budget, the government this spring praised efforts by the country's leading employer and trade union organizations to negotiate moderate wage settlements, adding

that Norway can no longer afford cost increases nearly four times those of its biggest trading partners.

Moderate wage growth and a 4 percent to 5 percent drop in imports are cited by the government as positive trends that should reduce inflation to about 8.5 percent by the end of the year.

The government wants to keep the economy from plunging into crisis every time oil prices drop.

rel and that production over the last year has increased mean that the economy looks better than it did last summer, when oil prices hit their lowest point.

(\$83 million). The revised budget is not expected to meet the same rough passage.

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Industrial Development

High Costs, Lack of Markets Deter Growth

By Juris Kaza

OSLO — Norway's industries have been so busy serving offshore exploration interests that international export markets have been neglected. The shock of last year's oil price declines awakened interest in increasing nonenergy exports, but industries are discovering that they are not internationally cost-competitive.

Moreover, the "modern" sector of Norwegian industry remains narrow, with most industries concentrated in the basic processing of raw materials, such as metals, fertilizers, chemicals and paper and pulp. Shipbuilding, as in most of Western Europe, is essentially a dead sector.

"We have two to three times as high inflation as our competitors," said Tom Ronning, a general manager at Bergen Bank's Oslo division. "That makes it very hard in the long run to compete on international markets. Also, in the last 15 years, everybody has been busy on the North Sea and didn't have time to develop the export markets."

Norway's inflation is forecast at about 8 percent for all of 1987, but has been running at a 12-month rate of about 10 percent during the first months of the year. Centrally negotiated labor settlements have basically extended last year's contracts without additional wage increases, but economists point out that costs have been automatically boosted by a cut in the work week to 37.5 hours from 40 hours, effective Jan. 1.

Considering Norway's labor shortage, with unemployment below 2 percent, "that was the most absurd thing we could do," said Tor Bang, chief economist of Den norske Creditbank, Norway's largest commercial bank.

Mr. Bang also said that the favorable energy cost situation of Norwegian manufacturers who use the nation's abundant hydropower has been deteriorating steadily. Hydropower plants built by private interests in the 1920s are reverting to government ownership after 60 years under a peculiar Norwegian law. At the same time, taxes on electricity have risen and have been based on the marginal cost of new plants rather than the operating



Loading iron ore aboard freighter at Narvik.

cost of the entire power grid. "This has a considerable impact on our aluminum smelters," Mr. Bang said.

The recovery of oil prices means a pickup in orders from the offshore sector, but it could also create a climate for continued neglect of traditional export industries. At the same time, the lower dollar and weak markets for raw materials are hitting hard at some of Norway's biggest non-energy exporters.

"The prospects for investment on the continental shelf are better than a half-year ago," said Tor Steig, chief economist of the Norwegian Federation of Industries, "and in the medium term, investments will be much higher, which means a lot for that part of Norwegian industry occupied with deliveries to the energy sector. But it also means the Norwegian economy will be more exposed to the petroleum sector."

"Meanwhile, the falling dollar has brought a deterioration of revenues in heavy export industries. This has had a negative impact, especially on metals industries."

The first quarter of 1987 brought an improvement for the pulp and paper industries, and to some degree, for aluminum, Mr. Steig said.

Norsk Hydro, Norway's largest industrial metals and energy group, reported its first postwar loss of 324 million kroner (about \$49 million) in 1986, resulting

both from lower oil prices and weak fertilizer markets.

Mr. Steig added that for some industries, the impact of the falling dollar on margins and sales was mitigated by the lower cost,

in kroner, of servicing dollar-denominated debt.

"Structurally, what we export is not so sophisticated," said Mr. Ronning of the Bergen Bank. "There's a lot of raw materials and basic manufactured goods. There are just a handful of high-tech companies. If you compare our industrial structure with Sweden, it's like two different worlds."

Bankers and economists say there is a broad consensus that Norway's industrial base needs to be broadened and upgraded, but the process will be slow. The nation's experiment with venture capital companies, for instance, is seen as a failure by many. Venture capital firms were formed in the mid-1980s because of tax incentives, and some were backed by the nation's foremost industrial corporations.

"A lot of them are losing money that went into bad projects," said Mr. Ronning, who works with Bergen Bank's large corporate customers. "They show disappointing results. They are not going to be a locomotive for the internationalization of Norwe-

gian business in new fields. That expansion will have to come from existing companies, such as the computer company Norsk Data, the medical technology supplier Nicomed and a few others."

Mr. Steig is not as harsh in his judgment. "Venture capital," he said, "has been pretty promising in the electronics sector of industry, but that's only a very small part of the industrial base. It's not enough. Chemicals, metals, paper and pulp remain the traditional base for our export industries."

Mr. Ronning sees some medium- to long-term hope for improving Norway's export competitiveness in the recent wave of corporate mergers, in which some management teams are trying to create internationally viable organizations.

Other long-term solutions, he said, are an improvement of Norway's infrastructure — especially in education.

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Coping With the Computer Revolution

By John C. Ausland

OSLO — The computer revolution is sweeping Norway as it is the rest of the world. The Mikrodata 87 exhibition, which took place in Oslo earlier this month, gave a good indication of how Norwegians are coping.

With its four million inhabitants, Norway is a relatively small market. Foreign firms are, however, not ignoring it. More than two-thirds of the products at the

show were foreign, nearly half of them American.

As with other social changes, the computer revolution has struck here later than in other European countries. As a result, Norwegians are able to draw on the experience of others. Nevertheless, as in other countries, there is considerable confusion.

This turmoil has not prevented Norwegians from embracing the computer. A recent study showed that about a third of all Norwegians have had experience with

computers. About 20 percent are at present working with them.

The net result is that Norwegians are spending a great deal of money on computing. In 1986, they spent 15 billion kroner (\$2.3 billion). This means about \$560 for every man, woman and child.

As the Mikrodata 87 exhibition demonstrated, interest focuses on three main lines of development — communications, desk-top publishing and local area networks.

As noted by Tom Wingard, the director of the trade association

About a third of all Norwegians have had experience with computers.

that sponsored the show, the combination of the computer and the telephone will play a large role in our lives in the future. At present, however, there are many problems.

The first is to choose among the many data bases available. Tove Moivig, of the National Library Service, recently released a list of 74 data bases, mostly Norwegian. Norwegian banks have been particularly aggressive in marketing their data bases, which cater primarily to the business community.

Newspapers are now entering the field. The Oslo daily Aftenposten is about to launch its full text data base, after being delayed by a controversy with the Norwegian authors' association. Of the foreign data bases, Reuters has been particularly successful. Aftenposten is offering a British full text data base, DATA SOLVE. A consulting firm, AXESS, is selling the California-based DIALOG. Nevertheless, Norwegians are slow to find their way to the large number of foreign data bases.

Another factor that inhibits the use of data bases is the modern maze. The licensing process is moving slowly. As a result, one must choose between approved modems, which cost as much as \$1,800, and gray market modems, which cost no more than \$700. Not surprisingly, many people and firms are choosing the latter option.

Many Norwegian firms are keen to embrace desk-top publishing. There can be little doubt that the combination of the computer, graphics and the laser printer offers some nice services. Apple was early entering this field.

Having bought their desk-top computers, Norwegians now confront the problem of tying them together. As a result, the acronym LAN (local area network) has entered the vocabulary. A number of systems are competing, and the people making the decisions are not finding it easy.

Mikrodata 87 also showed that the IBM PC clone has invaded

Norway. Therese Gump, the sales manager for the THE computer, traveled from Chicago to help the local representative present the product. This is, however, by no means the only clone available in Norway, as prices well below those asked by IBM, Eksson and other established producers.

In addition to the usual dilemmas regarding hardware and software, there is the language problem. Ivar M. Lisetar, editor of the computer journal DATATID, when asked what he considered to be the main problems regarding computers, replied: "Those three little letters."

He was referring to three Norwegian letters that do not exist in English. The first combines a and c. The second is an o with a slash through it. The third is an a with a small circle over it.

Before Norwegians can use any software from the United States or Britain, they must reprogram it to take these three letters into account. In addition, the Norwegian distributor must translate the manuals. As a result, foreign programs become available here about three months after they come to the market abroad.

Software programs also cost two to three times as much here as in the United States. When asked about costs, Mr. Lisetar replied, "Everything is more expensive in Norway."

In addition, practically nobody in Norway pays his own bills. Firms make most purchases, and they can use them as tax deductions. With the marginal tax running at 80 percent, the net cost to a firm is not all that great.

The high costs in Norway make even more remarkable the fact that Norsk Data, the crown jewel of Norwegian computing, has been able to compete on the international market. In 1986, it ran second only to IBM in Norway in income.

JOHN C. AUSLAND is a former U.S. Foreign Service officer who lives in Oslo. He is the author of "Nordic Security and the Great Powers," (Westview Press, Boulder, Colorado).



Fishermen cook dinner on a mountain stream in the 'home of the giants.'

Hiking in the Jotunheim

JOTUNHEIM — Norway's greatest secret is the Jotunheim, or "home of the giants," a stunning combination of alpine peaks, glaciers, waterfalls and lakes.

Norwegians like to keep the Jotunheim to themselves, and it is only by accident that a foreigner may learn of it, although it contains Norway's highest mountain, Galdhøpiggen.

The Norwegian fjords are among nature's wonders. A trip on a coastal steamer around the North Cape is both relaxing and filled with gorgeous scenery. Sailing along the Norwegian coast is a joy. Nevertheless, the Jotunheim is for many visitors the most beautiful part of Norway, and it is particularly prized by hikers.

August is the month in which Norwegians go to the mountains to hike. This is partly because the weather is likely to be good but also because during July they flee to the coast, to soak up as much sunshine as possible.

Tourists can travel to the Jotunheim from Oslo by train and bus, but motoring is best, if expensive.

There are several approaches to the Jotunheim. The drive north from Oslo through the Gaddfjorden Valley runs along several charming lakes and through Lillehammer, which is both a summer and winter resort. At Otta, the route turns west, leading to the Jotunheim from the north.

Shortly after Lom, the road south takes the tourist to Spiterstulen and a comfortable mountain hotel.

Spiterstulen offers a number of diversions; walks along the valleys, hikes up one of the mountains that surround it. A popular hiking goal is to get to the top of Galdhøpiggen by lunch and return to the hotel in time for dinner. Hikes on one of the glaciers also can be arranged, with a guide. From time to time, daring tourists who venture onto glaciers alone disappear into one of the crevices.

North of Spiterstulen is the Geiranger fjord, generally considered the finest in Norway. A ferry to the western end of the fjord, allows the motorist to wander south between the coast and the western side of the Jostedal Glacier. From Brakadal it is a short walk by an impressive waterfall to a dramatic face of the glacier.

If there is no time for the Geiranger fjord, the visitor can continue southwest from Lom to Kaupanger on the Sognefjord. From there, the ferry crosses to Revesnes for the drive to Oslo.

A shorter trip to Jotunheim starts with a drive north from Oslo through Fagernes, ending at Lake Gjende, where the Mountain Touring Association has an inn.

The hotel here is a starting point for a hike through the mountains with a backpack, staying at various inns. A one-day trip can be made by taking the boat from Gjendesheim to Memmra, and then hiking back over Besseggen ridge, which Ibsen made famous in "Peer Gynt."

The travel bureaus of the Norwegian Automobile Association and the Royal Norwegian Automobile Association are helpful in arranging trips. For hiking information, visit the office of the Norwegian Mountain Touring Association. It is near the National Theater and the Continental Hotel.

During July and the first part of August, it is wise to make hotel reservations, particularly in the mountains.

Finally, the tourist is advised to take clothing for all kinds of weather. It is not an accident that Norwegians jestingly refer to their summer as the "green winter." For hiking in the mountains, warm clothes and a light rain suit are recommended. But this should not be a discouragement, for summers in Norway usually provide warm days and cool nights.

John C. Ausland

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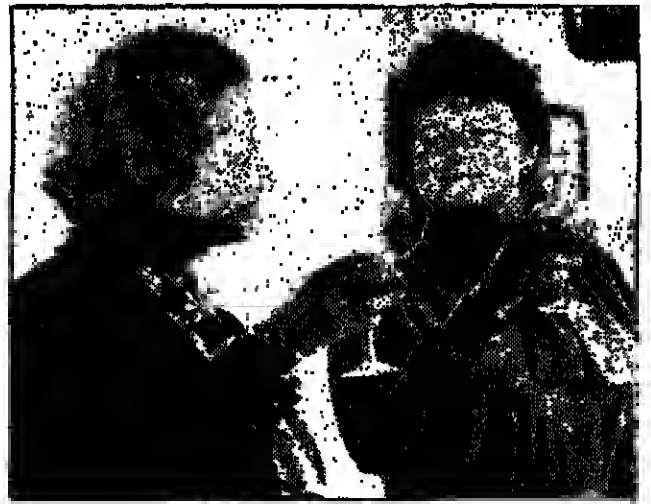
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British Prime Minister Margaret Thatcher, left, and Gro Harlem Brundtland in a toast in Norway.

Opposition Is Split

Continued from page 9

keep their distance and treasure their old enmity in the central and eastern regions. It did not make matters easier when the Conservatives began to gain in the rural districts, eating away at the support of the Center Party.

The one factor that might drive the Center Party leaders into a more cooperative mood can be found in recent voter surveys. They show that Center Party voters have the Conservatives as their second preference and that they resent Labor's policies.

Accordingly, it would seem hardly tactical on the part of the Center Party to indirectly help a Labor government stay in office. And this fact is now being exploited to persuade the Center Party to become more cooperative.

The biggest stumbling block is over economic policy. Norway's economic situation changed almost overnight in the late fall of 1985, when oil prices began to drop. The country has a big deficit on its trade balance and this will continue for the foreseeable future. The deficit is serious enough for American evaluation groups to consider giving Norway a lower credit rating.

In one way, this is good news for the Conservatives, who have claimed that the Labor government is spending too much. But at the same time, it makes it more difficult for the Conservatives to sustain their claim that the economy needs substantial tax cuts.

There is endless bickering over a proposal to revise the country's complicated tax law. And without a common economic platform, at least some members of the Center Party feel that the former coalition simply does not

have a proper reason for kicking the Labor government out.

There is also the fact that the prime minister has proved herself to be a redoubtable political tactician. Once in a while, Labor will throw a morsel of a proposal to the Center Party to pry it loose from the negotiations with the Conservatives and the Christian People's Party.

Assuredly, she never tires of pointing out that there is a considerable difference between the Conservative and the Center Party platforms over policies for the rural districts, with the Center Party strongly in favor of preserving Norway's system of extensive agricultural subsidies.

Up until this month's party conference, some Conservatives were also troubled by the lackluster performance of their new leader, Mr. Presthus. For almost five years, he was a respected and even well-liked minister of finance, confident and suave with a quiet sense of humor.

As prime minister-in-waiting, he has appeared tense and worried. But at the end of his speech to the party conference, he was given a standing ovation in the best British Tory tradition, and the grumbling that the party had picked the wrong man ceased.

There is little doubt that Mr. Presthus would be a more than competent prime minister, in spite of his lack of experience in foreign affairs. But the longer he remains in opposition, the darker his political future will look if he still has not made it into office when the long summer days imperceptibly begin to grow shorter after June 21.

PER EGIL BECKE is the editor of the weekend supplement of Aftenposten.

Handwritten signature or mark at the bottom center of the page.

Petroleum Policy

Oil Turbulence Subsides and Confidence Gains

By Michael Metcalfe

OSLO — After a stormy year in which volatile international oil prices, uncertain exploration plans and a government change-over have played havoc with its oil and financial policies, Norway is back on a calmer course.

Coming to terms with the abrupt reversal in its fortunes has not come easy to Norway's offshore oil and gas industry. However, a painful period of readjustment to lower oil prices, production cutbacks and the scaling down of exploration is now giving way to a more upbeat phase, where guarded optimism is gaining the upper hand.

"The government wishes to see as high a tempo in oil exploration off northern Norway as is compatible with the interests of fisheries, other environmental considerations and the economy," said Arne Oeien, the oil and energy minister, recently.

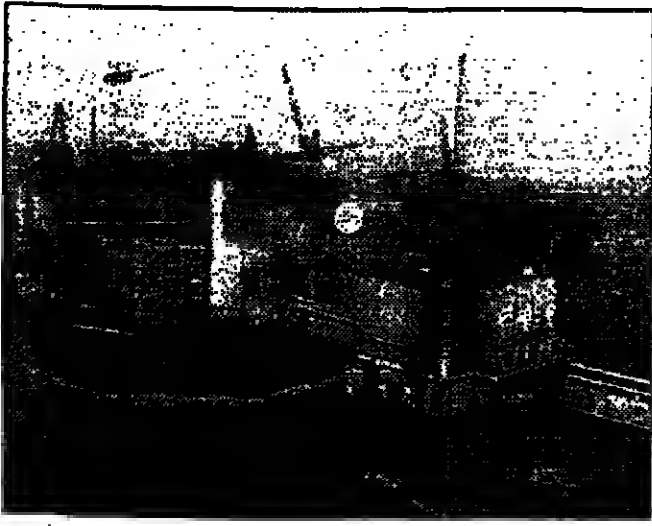
Recent corporate results from Norway's largest oil majors, state-owned Statoil and publicly quoted Norsk Hydro, bear out this renewed optimism.

For example, after a bleak 1986, when its accounts dipped into the red for the first time since 1944, Norsk Hydro turned in an 18 percent rise in its first quarter 1987 net income to 413 million kroner (\$62 million). The group's oil and gas divisions fared well, registering an increase in operating income to almost 800 million kroner.

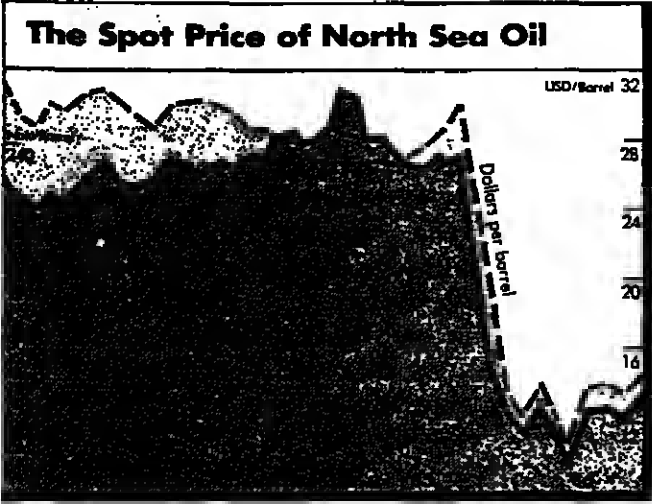
Moreover, no less than 18 oil majors applied for drilling rights in the new exploration areas in the Barents Sea on the Norwegian continental shelf, and the Oil Ministry was satisfied at the level of interest in this 11th round of concessions for offshore prospecting.

Statoil, Norsk Hydro and the privately owned Norwegian company Saga Petroleum, as well as international majors like BP, Elf, Esso, Shell, Mobil, Tenneco and Total, were among the applicants for concessions.

Contributing to the brighter outlook is the calmer trend in the international oil price. Stabilizing at higher levels around \$18 a bar-



Ekofisk drilling rig in the North Sea.



Source: Central Bureau of Statistics/OPEC

rel, less price volatility makes it easier for both the Norwegian government and industry to undertake the arduous task of financial planning.

Recent estimates by the Finance Ministry show that export earnings and tax revenue from oil and gas activities in 1987 would rise to 66.9 billion kroner and 23.2 billion kroner, respectively, from 53.9 billion kroner and 17.9 billion kroner, assuming an oil price of \$20 a barrel compared with \$15 a barrel.

Because oil plays such an overriding role in the economy — it accounts for 19 percent of gross national product, 20 percent of the central government's income and almost 50 percent of total export earnings — the persistent dilemma of successive governments has always been how to reconcile buoyant production growth in the oil sector with a consistent pricing policy.

Not belonging to a cartel helped, by remaining outside the Organization of Petroleum Ex-

porting Countries, Norway, like Britain, managed to preserve a degree of independence in its production policy, preferring to leave it to market forces to dictate the price of crude oil.

This policy worked well when prices spiraled upward, swelling oil tax revenues and buttressing the government's budget. But, according to oil industry analysts in Oslo, the government was forced to change tack when the oil price tumbled.

After more than eight months of standing on the sidelines, the minority Labor government finally fell into line with OPEC's bid to prop up the oil price, when it announced in January a 7.5 percent cutback in planned North Sea oil production for a six-month period.

The reduction takes the form of curbing production growth by 80,000 barrels a day from Feb. 1. Daily production levels in January were running at a record 1.09 million barrels, compared with 1.05 million in December, and they were outstripping such significant OPEC producers as Kuwait, Libya and the United Arab Emirates.

Despite the cutback, Norway's oil output will, nevertheless, be higher than in 1986 because production from the mammoth reserves in the Statfjord field has risen and the new Gullfaks field has come on stream. The price of the reduction, in terms of oil held back, is estimated at about \$200 million.

Sinking output by 7.5 percent involves a reduction in the volume of oil exports of 8.5 percent, as oil used in domestic consumption was not part of the scaling down. The measure followed an initial 10 percent reduction in net oil exports that was announced in late 1986.

Mr. Oeien has stressed that the measure could be rescinded at short notice if OPEC failed to honor the agreement reached in December to stabilize prices at higher levels. He has also rejected suggestions that Norway might resort to introducing fixed oil prices.

In a recent report, the Oslo government estimated that production capacity in the Norwegian sector of the continental shelf will increase in the final

years of the decade, rising to about 90 million tons oil equivalents in 1989 from about 69 million tons oil equivalents in 1986.

Major developments this year include the Feb. 1 production cutback, the latest round of concessions for expanding exploration into the strategically vital Barents Sea region, the coming on stream of the Gullfaks field and the go-ahead for the Troll gas deal, which is the continental shelf's largest development project to date.

At the turn of the year, agreement was finally reached to sell more than 400 billion cubic meters (523 billion cubic yards) of gas from the Troll and Sleipner fields to buyers in West Germany, Belgium, France, Austria and the Netherlands. First deliveries from the estimated \$7.2 billion project are scheduled to begin in fall 1993, while the contract will run beyond 2020.

The largest quantities will be supplied to West Germany and France. Annual deliveries will be about 19 billion cubic meters, when top levels are reached around the turn of the century. To meet the terms of the agree-

ment, Norway will develop two major gas fields, Troll and Sleipner East, and construct a new gas transportation system to Zeebrugge, Belgium.

On Jan. 29, the first crude oil cargo from the new Gullfaks field was loaded on a tanker bound for the Mongstad oil refining complex north of Bergen on Norway's west coast.

"A new milestone has been passed in the development of the Gullfaks field. The first platform is now on stream," said the Statoil president, Arve Johnsen.

Gullfaks is the first field owned entirely by Norwegian companies and the "A" platform is the first production unit in Norwegian waters that was built by a Norwegian operator, Statoil.

Production started seven months ahead of schedule. It signals Norway's determination not to let up in its pursuit of oil despite the whims of the international oil market.

MICHAEL METCALFE, a journalist based in Copenhagen, is a correspondent for Business International.

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Dilemma of 'Two Welfare States'

Continued from page 9

erment than through market competition.

Hence, the "welfare state for business" plays a decisive role not only in maintaining full employment but also as a basis for powerful interest groups. When faced with the increased social security outlays of today, any minister of finance has to assess the impact of transfers on productivity and try to countervail the power of the organized interests.

Expenditures for the present system of old age pensions will rise. First, there is an inherent expansion as more people with entitlements to higher employment-related pensions retire. For example, the rapid increase in female employment during the 1970s was not foreseen when the present system was put into effect. The second factor is purely demographic: More people grow old, old people live longer and a growing proportion of the retirees above 80 fuel the need for health services and care. This strains appropriations as well as personnel, of which there is already a considerable shortage.

These concurrent trends require more resources in the traditional welfare sector or a cut in the quality of services. A recommendation has been made to abolish supplementary pensions for groups with income above that of skilled workers, but so far no political party has supported this. A cut in pensions means a loss of votes, so radical changes in the present system are unlikely.

The quandaries have been aggravated by the fall in oil prices, which has hit the private sector as well as public revenue. In 1985, taxes from petroleum activities made up 20 percent of public income but this is expected to fall substantially, even close to zero, according to the most pessimistic scenario. At the same time, there is no political support for any major tax increase.

Therefore, the increasing demands on the pension system due to demographic changes must be financed by a more efficient non-oil-based industry and by reallocations within the public sector.

The present Labor government, as well as any future government, is faced with two major policy problems. The first is to retrench the system of economic transfers. In order to maintain and expand welfare services for all citizens, specific benefits won by a group or industry have to be reduced. The second task is to prevent unemployment while dismantling this "welfare state for business."

In an economy where almost 50 percent of gross national product comes from exports, full employment can only be secured if high inflation is avoided, which in turn requires a high degree of wage restraint. Any comprehensive wage moderation, however,

"social contract" between government and organizations in the labor market.

The wage policies of the 1970s were a successful attempt to raise the wages of low-income groups. In reaction to this, combined with a trend toward more segmented labor markets and a more fragmented organizational structure, wage settlements during the later years have been made in a more decentralized manner.

In the 1980s, a greater share of wage increases have come from plant-level bargaining. Hence, specialized occupational groups have improved their lot, inequalities have increased and so has relative deprivation. The National Federation of Trade Unions (LO) has lost its paramount position. From representing 85 per-

cent of all unionized employees 30 years ago, it finds itself in a position where rival federations have broken its monopoly.

LO unions competing for members with trade unions outside the labor movement have to do so by pursuing objectives that run counter to the traditional values of the labor movement, namely, greater equality. The effect of restraining wage claims may be a loss of members, but inflationary wage demands may mean a loss of jobs.

If no government succeeds in reducing economic subsidies and in implementing an effective wage restraint policy, the level of social welfare must decline. The political consequence will be the crumbling of the almost universal support for public welfare ser-

vices. Well-organized and politically powerful groups will safeguard their own social security interests through private, occupationally based arrangements rather than by a less generous public system.

Such a development is likely to erode universalism as the keystone of Norwegian social policy, reducing state responsibility and public support to provide for marginal groups without occupational welfare arrangements.

KAARE HAGEN is a researcher at the Norwegian Trade Union Center for Social Research (FAFO) and **GUDMUND HERNES** is professor of sociology at the University of Bergen and director of research at FAFO.

Kværner of Norway

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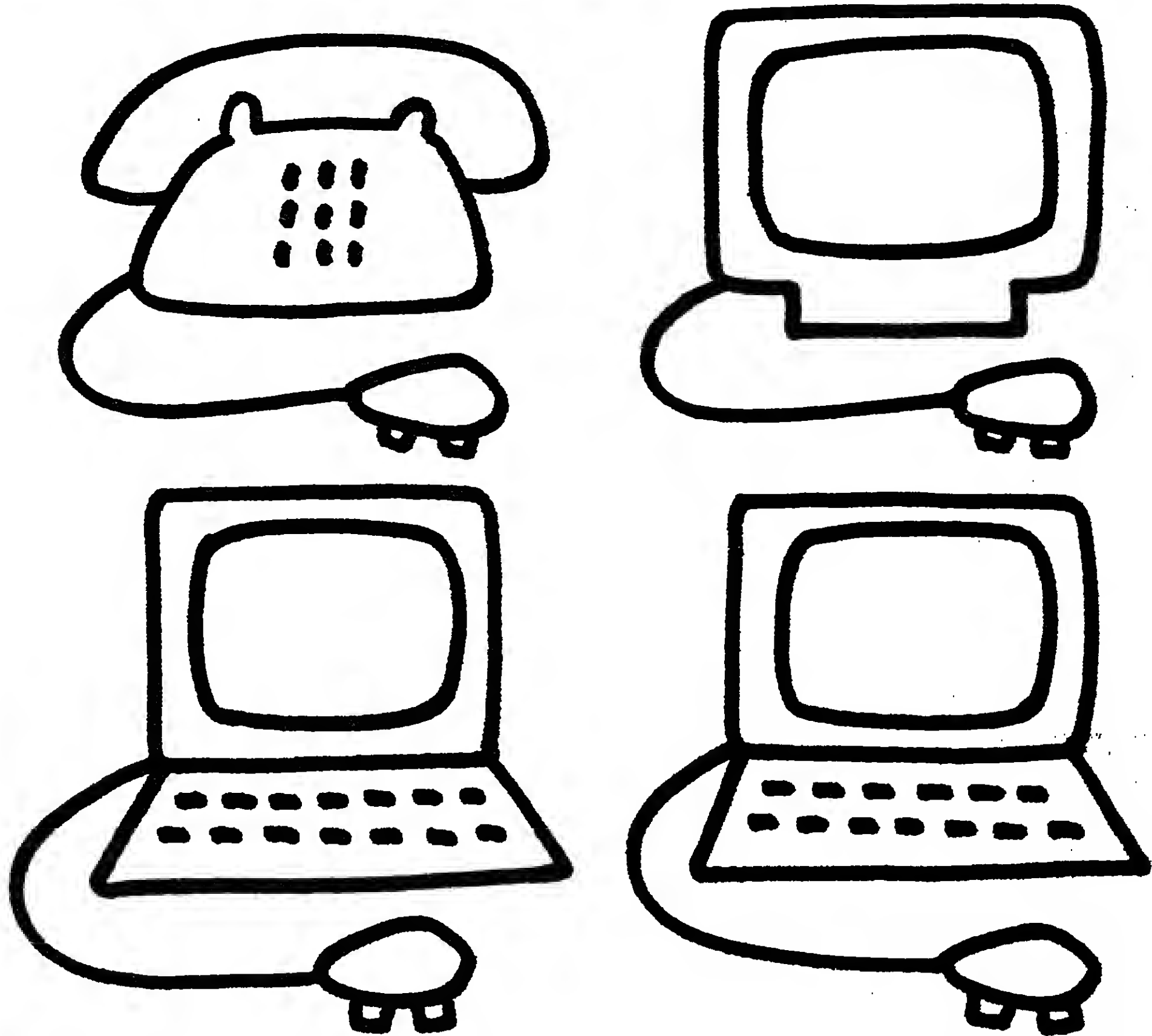
Kværner is associated with heavy mechanical engineering industry. Group companies are involved in such activities as the construction of large offshore installations, subsea production equipment for oil and gas, modules and equipment for offshore facilities, equipment for energy production - hydro, gas, wave and wind power - shipping, shipbuilding, engineering activities and trading operations.

Companies in the Kværner group are organized through the holding company Kværner Industrier A/S, which is listed on the Oslo Stock Exchange.

For further details, contact Kværner Industrier A/S, P.O. Box 100 Skøyen, N-0212 Oslo 2, Norway Telephone: + 47 2 50 25 50.

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TECHNOLOGY

Hottest Thing in Ovens
Combines Air and Steam

By JONATHAN P. HICKS
New York Times Service

NEW YORK — Andre Soltner, proprietor and chef of Lutèce, recalled how his assistants balked at the idea of installing a new type of oven in the kitchen of the world-famous restaurant in Manhattan. "They told me I was crazy and that they did not want to use the oven," Mr. Soltner said. "I now have to fight to get it."

Mr. Soltner insists that the new oven is the best new technology to come into his kitchen since he brought a food processor back from a trip to France 20 years ago. The oven combines the functions of a convection oven, which circulates hot air, and a pressureless steamer. The combination ovens, as they are called, allow him to do everything from steaming asparagus and lobster to roasting Cornish hens and foie gras — sometimes simultaneously.

Combination ovens can save money, space and energy — and improve food quality.

The oven performs three functions. With the turn of a switch, Mr. Soltner can convert it from a fully insulated convection oven ready to bake meringue-topped pies to a steam chamber that can cook cauliflower. Or, the oven can combine steam and hot air for baking bread or roasting prime rib.

"The combination oven is a significant development in American kitchens because it allows food service facilities to save money," said Robin G. Ashton, editor of Food Service Equipment & Supplies Specialist, an industry magazine.

With the combination oven, one piece of equipment does the functions previously performed by two. Less kitchen space is needed, which can result in an increase in seating room for customers, a particular benefit for small restaurants.

Mr. Ashton said that the combination oven also dramatically cuts the percentage of shrinkage in meats. He noted that the average steamship round of beef, the large section often used in buffets, shrinks 15 percent to 20 percent in a convection oven, and only 3 percent to 4 percent in a combination oven. "That represents a lot of servings of meat and a lot of money," he said. "And that's why the ovens are becoming popular in this country."

THE OVEN was developed in West Germany by Rational Grosskuchentechnik GmbH, a major kitchen equipment manufacturer. Blodgett Oven Co. of Burlington, Vermont, introduced the oven, the Combi-Oven-Steamer, in the United States about two years ago under the license of Rational.

The smallest of the Rational combination ovens, about four cubic feet (0.12 cubic meters), holds six steam table pans and costs about \$6,000. The largest, which measures about 25 cubic feet, can hold 20 pans and costs about \$30,000. Kitchen experts say that a combination oven costs slightly more than buying both a steamer oven and a convection oven.

The price has made the new oven too costly for home use, experts say, but fast-food chains are considering them.

"If they can bake their chicken and steam their fish in the same oven they bake their biscuits," one kitchen specialist said, "think of the savings in space and energy they will realize."

The ovens also improve food quality, Mr. Soltner and other kitchen equipment experts say. Because the cook can control the amount of humidity in the oven, meats stay moist.

The ovens connect with water valves and drain connections, much like a dishwasher. A condenser draws out excess steam from the appliance, along with fumes from roasting and grilling. As a result there is no flavor transfer among foods. In fact, some users of the oven say they can cook fish on one oven rack and chocolate mousse on another without affecting the flavor of either.

Kitchen equipment experts say that fewer than 2 percent of potential customers have the ovens. "The price tag has held down sales a bit," said Joseph Derocher, associate professor of hotel administration at the University of New Hampshire. "But on the other hand, the major marketing thrust has only recently begun."

RR Shares
Surge
In Debut

Large Investors
Power 73% Rise

Compiled by Our Staff From Dispatches

LONDON — Shares in Rolls-Royce PLC, the newly privatized airplane engine maker, spurted 73 percent Wednesday in heavy trading, as institutional investors scrambled to increase their limited holdings during the company's debut on the London Stock Exchange.

While the rest of the market was falling, the price for one part-paid share jumped to 144.5 pence (52.43) within an hour and a half from the original 85 pence as 284 million shares traded hands.

The stock had opened at 129.5 pence, and after slipping to 139 pence as investors took profits, it closed even higher at 147.

In an offer that was 10 times oversubscribed, the government had sold 801.5 million shares at 170 pence each for a total of £1.36 billion. Investors initially paid half the price for a minimum of 150 shares, with the remainder due by Sept. 23.

The market demanded the shares underpriced, a criticism that the opposition Labor Party has often leveled at share sales under the Conservative Party's privatization program.

Rolls-Royce is the latest of some 30 former state enterprises sold to the public in a program that has highlighted the hunger for equity among investors in Britain and elsewhere in Western Europe.

The number of Britons holding shares has nearly tripled, to 9.5 million, since Prime Minister Margaret Thatcher came to power in 1979.

Institutional investors snapped up shares Wednesday after having held their portion of the offering reduced to 50 percent from 60 percent to satisfy demand from smaller investors. In addition, the government granted no shares to investors who had applied for more than 100,000.

Analysts said there was particularly strong interest from corporate Japanese buyers. Britain announced in April that because Rolls-Royce was vital to its military needs, foreigners would be barred from buying more than 15 percent of the stock and no shares would be offered abroad.

France Says
It Will Sell
Farm Bank

PARIS — The cabinet decided Wednesday to go ahead with plans to sell state-owned Caisse Nationale de Crédit Agricole, France's biggest financial institution.

Banking sources said that the sale of the farm credit institution could be one of the most politically sensitive in the conservative government's five-year privatization program.

The budget minister, Alain Juppé, said that the cabinet adopted a bill proposed by Finance Minister Edouard Balladur to sell the bank, which has assets of nearly 1 trillion francs (about \$168 billion).

The bill now goes to the National Assembly, with the aim of selling the bank by the end of the year.

A dispute already has arisen between bank and farm interest groups over the way Crédit Agricole has diversified into housing, finance and into all-round banking, and between regions anxious to ensure themselves a full say in the bank's rural lending.

In addition to its farm credit activities, Crédit Agricole provides more than 35 percent of all bank mortgages for housing in France and 20 percent to 30 percent of other retail banking services.

Under Mr. Balladur's bill, 90 percent of the bank's capital would be offered to 94 cooperative regional farm banks whose activities are coordinated and financed by Crédit Agricole.

The regional banks would be offered shares in proportion to the size of their assets and would have five years to pay for their stakes, Mr. Juppé said.

The remaining 10 percent would be offered to Crédit Agricole employees. The share price would be set by Mr. Balladur on the basis of a valuation by a government committee.

Yen Ravages Japan's Supply Role

But U.S. Firms
Fail to Embrace
Home Sources

By Barnaby J. Feder
New York Times Service

NEW YORK — In the early 1980s, many U.S. manufacturers, reeling under competitive pressures, cut back production in the United States and began importing components, even entire products, from Japan.

Now, after two years in which the value of the yen has risen sharply against the dollar, the drawbacks of that strategy are looming large. The swing in currencies has forced Japanese suppliers to raise their prices and eroded the cost advantage of importing from Japan.

"There's no case where we have escaped unscathed," said Robert R. Reilly, director of corporate strategy at Ford Motor Co., which has been buying about \$1 billion of goods annually from Japan. The plunge in the value of the dollar against the yen, he said, has added millions of dollars to Ford's expenses.

Ford, like virtually every U.S. company, is rethinking the wisdom of "outsourcing" from Japan.

Some U.S. companies have already chosen not to renew their contracts with the Japanese. General Electric Co. has stopped buying televisions from Matsushita Electric Industrial Co., and Cincinnati Milacron Inc., the largest U.S. machine-tool company, is dropping the lathe that it imports from Hitachi Seiki Co.

"If we ordered more machines now, it would be a loss situation for us," explained Donald Shively, Milacron's executive vice president for operations.

But what may be bad news for Japan's economy may not necessarily be good news for America's.

U.S. companies are not necessarily turning to U.S. suppliers instead. So far, at least, only a handful of American companies have brought production home, as GE did with the television sets it is now producing at its RCA subsidiary's plant in Indiana.



A GE television assembly line in Indiana. Inset, a sign at the Mazda plant set to open in Michigan.

Many others, such as automakers, are turning to countries with cheaper labor, including Korea, Taiwan, Singapore and Mexico.

Some U.S. companies say they would like to retreat from Japan but not from their Japanese suppliers, who have proven to be reliable partners. Numerous U.S. companies are working with Japanese concerns to lower costs, either by redesigning products so they can be made more cheaply in Japan, or by helping the Japanese move some production elsewhere.

Ford, for example, is helping Mazda Motor Corp., a long-time supplier, accelerate its plans to produce cars and components at Flat Rock, Michigan. Similarly, Eastman Kodak Co. helped a Japanese supplier transfer its production of printed circuit boards to Singapore.

Worried about potential trade restrictions and knowing only too well that a currency that goes up can quickly come down, still other U.S. corporations are hedging their long-term bets. Their models are such companies as Texas Instruments Inc., the semiconductor maker that has sister microchip production plants in Japan and the United States.

"American firms are going to have to make flexibility a primary strategic objective," said Amir Mahini, director of international business research at McKinsey & Co., a consulting concern.

It is easy to understand why. The dollar's fall in the past two years has raised the value of the yen by about 85 percent. This means that Japanese suppliers that agreed to be paid in dollars are taking a beating. With the dollar that was worth 262 yen

Citicorp Move
Rattles, Then
Heartens Banks

Compiled by Our Staff From Dispatches

NEW YORK — The stocks of Citicorp and other major banks rebounded Wednesday, reflecting apparent investor confidence in Citicorp's decision to take a \$2.5 billion loss to set aside money to cover possible bad loans.

The share price of Citicorp, the biggest U.S. bank holding company, had jumped \$3.125 to \$53.75 by midday on the New York Stock Exchange. Its shares had fallen \$1.625 Tuesday amid rumors that

Citicorp had a profit of \$235 million, or \$1.60 per share, in the second quarter of 1986. It posted a profit of \$1.06 billion, or \$7.13 per share, for the year.

Mr. Reed said Citicorp had notified federal regulators, leaders of major developing nations and other major U.S. banks, including BankAmerica Corp. and Manufacturers Hanover Trust Co., that it would be taking the move.

BankAmerica, the second-largest U.S. bank group and a major Third World lender, said its loan loss reserve was "appropriate" for its overall portfolio and it saw no need to adjust it.

In New York, Manufacturers Hanover said it would take an intensive look at its reserve for possible loan losses.

Standard & Poor's Corp., which confirmed Citicorp's debt rating after the announcement, said that the move increased pressure for banks to "quickly and substantially" bolster reserves against Third World loans, but that such action could "weaken permanently" banks with mediocre performances in their core businesses.

Mr. Reed said the loan loss reserve would not affect Citicorp's dividend because it did not reflect problems with underlying businesses.

He emphasized that the latest move was not intended as a signal to foreign debtors that Citicorp was willing to take a big hit on its loans rather than accept further concessionary restructuring of debt payments.

Citicorp's chairman, John Reed, said that Citicorp was not projecting it would have to write off \$3 billion in loans as uncollectable.

But the company believed that given the state of the global economy, and the expectation that developing countries would have trouble making loan payments into the 1990s, it needed to prepare itself for potential problems so it could

concentrate on building its major business segments.

"We felt it was imperative to be appropriately reserved," he said. "We believe it will significantly strengthen the institution."

Citicorp's move took the Third World debt crisis into uncharted territory. Page 21.

the company was about to take action on its foreign debts.

After the close of trading Tuesday, Citicorp said it was creating a \$3 billion reserve for possible loan losses in the second quarter, a move that would give it a net loss of \$2.5 billion in the quarter and \$1 billion for the year.

Financial markets were rattled by the news. The Tokyo Stock Exchange recorded its second biggest drop in history Wednesday while London stock indexes dived and the price of gold, a safe haven for investors in troubled times, touched its highest level in more than four years.

But prices on Wall Street, after a sharp Tuesday night and a further drop fall early Wednesday, were recovering Wednesday afternoon. And the dollar, a useful weather vane, remained fairly stable.

Many Wall Street analysts praised Citicorp, saying it had reduced its risk of defaults on troubled foreign loans.

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Currency Rates

Currency	Rate	Change
American Express	1.94	0.01
Bank of America	2.46	0.01
Chase Manhattan	1.98	0.01
Citibank	1.98	0.01
First City	1.98	0.01
Wells Fargo	1.98	0.01

Interest Rates

Term	Rate	Change
1 month	8.75%	0.00%
3 months	9.00%	0.00%
6 months	9.25%	0.00%
1 year	9.50%	0.00%

Key Money Rates

Instrument	Rate	Change
3-month Treasury bill	8.75%	0.00%
6-month Treasury bill	9.00%	0.00%
1-year Treasury bill	9.25%	0.00%

Asian Dollar Deposits

Country	Rate	Change
Japan	7.00%	0.00%
South Korea	8.00%	0.00%
Hong Kong	7.50%	0.00%

U.S. Money Market Funds

Fund	Assets	Yield
Fidelity	\$1.2B	8.75%
Putnam	\$1.1B	8.75%
Investment Company of America	\$1.0B	8.75%

Gold

Market	Price	Change
London	\$378.00	-\$2.00
New York	\$376.00	-\$2.00
Paris	495.00	-\$3.00

AMC Board Approves Chrysler's Buyout Offer

DETROIT — The board of directors of American Motors Corp. has approved an \$830 million buyout proposal by Chrysler Corp. that would give AMC shareholders \$4.50 worth of Chrysler stock for each AMC share, the companies said Wednesday.

Chrysler's initial \$757 million proposal, announced March 9, would have exchanged \$4 worth of Chrysler stock for each outstanding AMC share not held by Renault, the state-owned French automaker.

As part of the deal, Chrysler has agreed to buy Renault's 46.1 percent interest in AMC for \$35 million in cash and \$200 million to be paid later at 9.75 percent interest, a Chrysler spokesman, John Guinville, said.

When Chrysler announced its intentions to buy AMC last March, the total value of the deal was

pegged at \$2 billion, including the assumption of long-term debt.

Although the proposal must still be approved by the boards of Chrysler and Renault, AMC shareholders and the French, U.S. and Canadian governments, analysts said the endorsement of AMC's directors represented a major step toward completing the merger.

The merger would mark the most significant shift among U.S. car manufacturers in over 30 years and a major move by Chrysler to expand its North American business. AMC, which pioneered small car manufacture in the United States, is best known for its top-selling Jeep line.

A Chrysler spokeswoman, Taggerty Patrick, said Chrysler's board would meet Thursday in Savannah, Georgia, where the company is holding its 1987 annual stockholders' meeting. Chrysler hopes to formally announce its approval of the merger then to its shareholders, she said.

Renault directors, meanwhile, will also consider the bid on Thursday, a spokesman for the French automaker said. Some leaders of the company's unionized workers have criticized the sale as a "give-away."

AMC stock rose 12.5 cents to \$4.25, to afternoon trading on the New York Stock Exchange.

The company's annual meeting, which had been scheduled for May 29, was postponed last month until the AMC board could reach a decision on the Chrysler proposal. The meeting now will be held about 90 days after proxies have been mailed, an AMC spokesman said.

Chrysler, the nation's third-largest automaker, would receive several benefits from its purchase of AMC, the nation's fourth-largest maker.

AMC owns Jeep Corp., the best-

known U.S. maker of sport and utility vehicles. AMC and Renault have just constructed a high-tech auto assembly plant in Ontario province that next fall will begin building a new sedan, called the Premier.

In addition, Chrysler will have access to more than 1,000 AMC dealers.

AMC posted a \$23.4 million profit for the first three months of 1987, reversing a loss of \$18.9 million in the year-earlier period.

A United Auto Workers spokesman, Bob Barbee, said the Chrysler officials told them the company had not conducted studies of AMC's four assembly plants and therefore was not yet able to say whether any would be closed under the proposal.

AMC's president, Joseph Cappy, said: "The board of directors of American Motors has studied, evaluated and negotiated the Chrysler proposal and believes that the merger on these terms is in the best interests of the stockholders."

Chrysler's chairman, Lee A. Iacocca, said: "We have said all along that we believe the combination of Chrysler and American Motors will be good for the stockholders, employees and dealers of both companies. We hope that final approvals can be obtained quickly."

Broker Sought in VW Scandal Bars Return

By Ferdinand Protzman
International Herald Tribune

FRANKFURT — A former broker suspected of playing a key role in a foreign-exchange trading scandal at Volkswagen AG will not return to West Germany from an undisclosed location abroad, his lawyer said in an article to be published Thursday.

The broker, Joachim Schmidt, vanished shortly after news broke on March 10 of fraudulent trading in foreign currency that could leave the giant automaker with losses of 480 million Deutsche marks (about \$270 million at current rates).

In an article to be published in Stern news magazine, the defense lawyer, Egon Geis, said he negotiated recently with the Brunswick prosecutor's office, which is handling the investigation, to determine if his client could avoid being sent to prison or expect a reduced sentence if he testified and posted bond.

But after the negotiations, Mr. Geis was quoted as saying, "My client would not move one step in this direction."

The article was released in advance to the news media. Stern claimed that Mr. Schmidt fled West Germany shortly after news of the scandal broke.

He allegedly flew to Switzerland from Frankfurt aboard a Beechcraft King Air 200 owned by Triple Air Charterflug GmbH, an air charter service based in Eggenstein, near Frankfurt. The magazine claimed that the company was owned by Mr. Schmidt's former girlfriend and another friend.

There are also indications that Mr. Schmidt founded and financed Triple Air Charterflug, the magazine said.

Neither the air charter company nor police and prosecution officials could be reached for comment.

Mr. Schmidt is currently believed to be in New Zealand or the United States, according to the article.

The scandal at Volkswagen involved forged forward contracts for foreign exchange.

Company officials have said the fraud surfaced when Volkswagen contacted the National Bank of Hungary for fulfillment of one of the contracts. The bank said it had no record of the contract and left the automaker to assume the loss.

Mr. Schmidt was known to be the principal foreign exchange broker in Frankfurt for the National Bank of Hungary. He is believed to have had broad power to act for the bank in the foreign exchange market and to have had access to official bank documents.

The article said that the attorney for Burkhardt Junger, the former chief foreign exchange dealer at Volkswagen, had been negotiating with the Brunswick prosecutor's office. Mr. Junger was dismissed after the scandal broke and is currently in jail on suspicion of fraud.

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NYSE Most Actives				
Vol.	High	Low	Last	Chg.
IBM	175.00	174.00	174.00	+1.00
AT&T	155.00	154.00	154.00	+1.00
Amgen	115.00	114.00	114.00	+1.00
Amgen	115.00	114.00	114.00	+1.00
Amgen	115.00	114.00	114.00	+1.00

Market Sales	
NYSE adv. volume	17,020,000
NYSE adv. volume	11,290,000
NYSE adv. volume	13,700,000
NYSE adv. volume	14,700,000

NYSE Index				
	High	Previous	Close	Today
Composite	175.21	174.68	174.68	+0.51
Industries	172.21	171.77	171.77	+0.50
Utilities	183.81	183.44	183.44	+0.36
Finance	142.73	142.48	142.48	+0.26

Wednesday's NYSE 11 a.m.
Via The Associated Press

AMEX Diary				
Class	Close	Prev.	Chg.	Vol.
Advanced	111.00	111.00	0.00	100
Declined	111.00	111.00	0.00	100
Unchanged	111.00	111.00	0.00	100
New Issues	111.00	111.00	0.00	100
New Lists	111.00	111.00	0.00	100

NASDAQ Index				
	Prev. Today	Week Ago	Year Ago	Chg.
Composite	111.00	111.00	111.00	+0.51
Industries	108.00	108.00	108.00	+0.50
Utilities	120.00	120.00	120.00	+0.36
Finance	85.00	85.00	85.00	+0.26

AMEX Most Actives				
Vol.	High	Low	Last	Chg.
Amgen	115.00	114.00	114.00	+1.00
Amgen	115.00	114.00	114.00	+1.00
Amgen	115.00	114.00	114.00	+1.00

Dow Jones Bond Averages				
	Close	Prev.	Chg.	Vol.
Bonds	115.00	115.00	0.00	100
Utilities	115.00	115.00	0.00	100
Industries	115.00	115.00	0.00	100

NYSE Diary				
Class	Close	Prev.	Chg.	Vol.
Advanced	111.00	111.00	0.00	100
Declined	111.00	111.00	0.00	100
Unchanged	111.00	111.00	0.00	100
New Issues	111.00	111.00	0.00	100
New Lists	111.00	111.00	0.00	100

Odd-Lot Trading in N.Y.				
Buy	Sales	Start	End	Vol.
AMV 19	280,000	10:00	10:05	100
AMV 19	280,000	10:05	10:10	100
AMV 19	280,000	10:10	10:15	100
AMV 19	280,000	10:15	10:20	100

Dow Jones Averages				
	Open	High	Low	Last
Indus.	2218.70	2248.00	2218.70	2218.70
Transp.	102.20	102.20	102.20	102.20
Comp.	102.20	102.20	102.20	102.20

Standard & Poor's Index				
	High	Previous	Close	Today
Industries	108.00	108.00	108.00	+0.50
Utilities	120.00	120.00	120.00	+0.36
Finance	85.00	85.00	85.00	+0.26
SP 100	111.00	111.00	111.00	+0.51

Previous NASDAQ Diary				
Class	Close	Prev.	Chg.	Vol.
Advanced	111.00	111.00	0.00	100
Declined	111.00	111.00	0.00	100
Unchanged	111.00	111.00	0.00	100
Total Issues	111.00	111.00	0.00	100

AMEX Stock Index				
	Previous	Close	Today	Chg.
1000	111.00	111.00	111.00	+0.51
2000	111.00	111.00	111.00	+0.51
3000	111.00	111.00	111.00	+0.51

NYSE Recouping Early Losses

NEW YORK — Prices on the New York Stock Exchange were recovering in late trading Wednesday after earlier losses that followed Citicorp's decision to add \$3 billion to its reserves against bad foreign loans.

At 3 P.M., the Dow Jones average of 30 industrial shares, down more than 15 points at midmorning, was up 1.53 to 2,218.71. Losing issues were outnumbering gainers by about 2-1.

Volume came to 171.02 million shares with an hour of trading remaining.

After the close on Tuesday, Citicorp announced the increase in its loan-loss reserves, saying it would result in a loss of \$2.5 billion for the second quarter.

The market's drop late in Tuesday's session was attributed to rumors and speculation about what the big bank holding company was about to do.

The news served to focus fresh attention on the international debt situation and the potential problems it poses for the banking system.

However, several Wall Street analysts applauded Citicorp's action, arguing that it was a prudent move that effectively reduced the company's exposure to risk of default on the loans in question.

At 3 P.M., Citicorp shares, which fell 1 1/2 Tuesday, had rebounded 3 to 57 1/2 after a delayed opening on Wednesday.

Among other leading money-center bank issues, J.P. Morgan rose 1/2 to 42 1/2, and Chase Manhattan is up 3/8 to 39 1/2, while Manufacturers Hanover was down 1/4 to 39 1/2.

Technical analysts also said traders appeared to step up their buying when the Dow Jones

To Our Readers

Because of transmission problems, closing NYSE and AMEX prices were not available in this edition. We regret the inconvenience to readers.

Industrial average approached 2,200, which some regard as a "support level" for the market. The NYSE's composite index of all its listed common stocks dropped 0.12 to 157.81. On the American Stock Exchange, the market value index was down 2.00 at 332.47.

Among blue chips, AT&T, USN and General Motors were lower. IBM, American Express, General Electric, Minnesota Mining & Manufacturing and Eastman Kodak were posting gains.

Harcourt Brace Jovanovich was off a bit. It has risen 1 1/2 since receiving and rejecting a \$44-a-share takeover offer from British Printing on Monday.

In the technology group, Hewlett-Packard, Cray Research and Prime Computer were gaining.

Alexander & Alexander was up 2 1/2 to 25 1/2 on news that Fireman's Fund holds a 10.9 percent stake in the insurer.

Stocks of Japanese multinationals were gainers. Matsushita Electric, Hitachi and Honda were climbing.

On the American Stock Exchange, prices were lower in active trading.

Wang Laboratories class B was the second-most active Amex issue, adding 1/2 to 17. AMDahl followed, falling 1/4 to 34 1/2.

12 Month High	Low	Stock	Div.	Yld.	PE	52 Week High	Low	Qual.	Chg.
110	100	AA	0.00	0.00	10	110	100	1	0.00
110	100	AAA	0.00	0.00	10	110	100	1	0.00
110	100	BBB	0.00	0.00	10	110	100	1	0.00
110	100	BBB+	0.00	0.00	10	110	100	1	0.00
110	100	BBB-	0.00	0.00	10	110	100	1	0.00

12 Month High	Low	Stock	Div.	Yld.	PE	52 Week High	Low	Qual.	Chg.
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110	100	AAA	0.00	0.00	10	110	100	1	0.00
110	100	BBB	0.00	0.00	10	110	100	1	0.00
110	100	BBB+	0.00	0.00	10	110	100	1	0.00
110	100	BBB-	0.00	0.00	10	110	100	1	0.00

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110	100	BBB+	0.00	0.00	10	110	100	1	0.00
110	100	BBB-	0.00	0.00	10	110	100	1	0.00

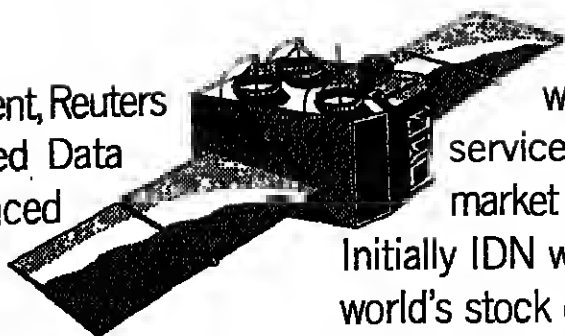
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110	100	BBB+	0.00	0.00	10	110	100	1	0.00
110	100	BBB-	0.00	0.00	10	110	100	1	0.



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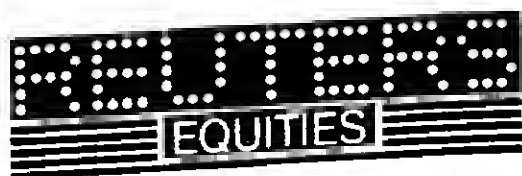
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T O W A R D S ► 2 0 0 0 ►

Lufthansa Net Rises 2%; Operations Post a Loss

FRANKFURT — Lufthansa AG said Wednesday that parent company earnings rose 2.2 percent to 64.4 million Deutsche marks (36 million at current exchange rates) in 1986, although it posted a 66.6 million DM loss on operations.

The operations loss followed a profit of 152 million the previous year. Overall, parent company profit in 1985 was 63 million DM.

Stefan Rohrau, managing board chairman of the West German national airline, attributed the operations loss almost exclusively to the weakening of the dollar.

Revenue for the parent company dipped 4.3 percent to 9.38 billion DM from 9.80 billion.

So far this year, the decline in the dollar has reduced revenue by about 12 percent from the comparable 1986 period, Mr. Rohrau said. He said he was convinced the company would post a profit for the year.

Günther Becker, a member of the managing board, said that the airline lost 252 million DM in 1986 on flight operations, compared with a 53.9 million DM loss in 1985. But he said that 185 million DM in other operating earnings last year compensated partly for the loss.

Income from flying operations fell by 4 percent to 8.37 billion DM while expenditures declined 1.7 percent to 8.62 billion.

Results on the North Atlantic route last year were clearly hurt by the weaker U.S. currency, the company said. It also cited the reluctance of American tourists to travel because of fear over terrorism and the Chernobyl nuclear disaster.

Despite this, Lufthansa said that passenger volume on the route rose by 14.4 percent while passenger volume fell an average 10.9 percent for North American airlines.

Passenger revenue as a ratio to distance traveled rose 8.5 percent, while freight traffic climbed 17.1 percent. Group earnings rose 6 percent to 70.61 million DM from 66.38 million in 1985.

Lufthansa said it would be forced to consolidate routes in several regions this year, but it gave no details. It said that several destinations would also be added, however, including five weekly flights from Frankfurt to Washington.

Volvo Says Profit Fell 18%, Cites Weaker Dollar

GOTEBORG, Sweden — Volvo AB, the automotive, energy and food group, said Wednesday that pretax earnings in the first quarter of 1987 dropped 18 percent, largely because of the weaker dollar.

Earnings were 2.01 billion kronor (\$322.92 million), down from 2.45 billion kronor a year earlier, although sales rose 5 percent, to 21.64 billion kronor from 20.66 billion. Car sales were down slightly to 9.3 billion kronor from 9.39 billion.

Volvo said its first-quarter sales were 1.2 billion kronor lower than they would have been had the dollar been at its first-quarter levels of 1986. The company's chairman, Pehr G. Gyllenhammar, said a major problem was high sales in the weak dollar and high component purchases in strong Deutsche marks.

Officials declined to forecast earnings for the year.

Ford Guarantees Scorpio's Resale Value

By John Holusha
New York Times Service

DETROIT — In an effort to woo buyers of high-priced European cars, Ford Motor Co. is introducing a new marketing tactic with the debut of its Merkur Scorpio model: a guarantee on resale value.

Ford is guaranteeing that the car, which officially goes on sale Thursday, will not depreciate at a faster rate than the Mercedes-Benz 190. If it does, Ford says, it will make up the difference.

Scorpio is the second model to be marketed by Ford under the Merkur brand since it was established in 1984. Like the first model, the XR4Ti, the Scorpio is manufactured by Ford's subsidiary in West Germany and is sold through Lincoln-Mercury dealers.

One of the characteristics of such high-priced European cars as Mercedes-Benz and BMW is their high resale value. According to figures from the importer, 1984 Mercedes-Benz 190E models are selling at about 75 percent of their original price, compared with 65 percent for a typical 1984 American model.

In linking the value of the four-door Scorpio to the Mercedes-Benz 190 model, Ford's marketing program is trying to associate the relatively unknown Merkur with the prestigious German automaker.

When the original buyer of a Scorpio trades it in, the dealer will consult the used-car prices published by the National Automobile Dealers Association. If the Mercedes has a higher retained value, Ford will make up the difference.

Under the terms of the plan, the car must be traded within two to four years of its purchase and any reimbursed amount would apply only to the purchase of a new Lincoln, Mercury or Merkur.

BUSINESS PEOPLE

2 More Executives Leave In Merrill Lynch Shake-Up

By Arthur Higbee
International Herald Tribune

Two more executives have left Merrill Lynch & Co. following the staggering trading losses announced last month. The New York Times reports. The executives were the supervisors of Howard A. Rubin, the recently dismissed executive whose unauthorized trading contributed to a \$375 million loss.

Robert P. Andres, president of Merrill Lynch Mortgage Capital Inc., and D. Gregory Herschell, manager of mortgage-backed securities trading, both resigned Tuesday under pressure. Company officials said they expected no further resignations.

Separately, Merrill Lynch confirmed that Eugene H. Rothberg, 57, vice president and treasurer of the firm for the last 19 years, would become one of six executive vice presidents. The bank said Mr. Rothberg was leaving despite requests from the bank president, Barber B. Conable Jr., that he stay.

Mr. Rothberg will supervise worldwide sales and trading. He and a Merrill spokesman both said that their initial talks took place even before Merrill became aware of the large losses in its portfolio.

Jerome P. Kenney, president of Merrill's Capital Markets Group, and his subordinate, Brian M. Barefoot, head of all securities trading, have been relieved of their trading responsibilities as a result of the incident.

Ford Motor Co. has promoted John J. Talneck to vice president of design. He moves up from chief designer for Ford's North American operations, where he was credited with replacing the box-shaped look of Ford's cars with the rounded lines of its new aerodynamic design, as in the Taurus and Sable cars. He will succeed Donald F. Kopka, 60, who is retiring. Mr. Tal-

neck, 50, headed the company's European design team from 1974 to 1976. He will now oversee design operations in West Germany, Italy, Brazil and the United States.

Aerodynamic styling began in Europe during the oil crisis of the 1970s, and Ford's European division adopted it in save gasoline, according to Mr. Talneck.

Petrobras's president, Odiris Silva, has been named the Brazil-USA Chamber of Commerce's "Man of the Year" as Brazil's most outstanding entrepreneur. Mr. Silva, 56, a former president of Embraer, the Brazilian state airplane manufacturing company, became president of Petrobras, the Brazilian state oil company, last year.

Director Is Named For New Center At IBM Europe

International Herald Tribune

PARIS — IBM Europe has appointed H.F. Budd as its director of scientific programs. He will head the new IBM center for numerically intensive computing at its European Center for Scientific and Engineering Computing in Rome.

The parent company, International Business Machines Corp., has set up other numerically intensive computing centers in Japan and the United States.

Such computing typically involves extremely large numbers of repetitive calculations in fields including geophysics, engineering and life sciences.

Mr. Budd, 50, who is American, holds bachelor's and master's degrees from the Massachusetts Institute of Technology and a doctorate from France's Ecole Normale Supérieure.

Director Is Named For New Center At IBM Europe

Général de Banque SA of Brussels, which opened a Madrid branch in 1982, has started up a second Spanish branch, in Barcelona. The bank appointed Jaime Hap as director. Mr. Hap, 33, a Belgian, formerly was deputy director in charge of investments at Banco di Barcelona.

Grolier Inc., the Danbury, Connecticut publisher of reference and children's books, has promoted Andrew Reinhart to president and chief operating officer. Mr. Reinhart, 64, had been executive vice president. He succeeds Robert B. Clark, 58, who remains chairman of the board and chief executive officer.

Mitsui & Co. of Japan has promoted Hisao Kondo to the presidency of Mitsui & Co. USA, an international trading firm. Mr. Kondo, 59, has already been assigned twice to the United States by Mitsui, in New York and Houston. He succeeds Mamoru Tabuchi, 63, who is returning to Tokyo to serve as an executive vice president of the parent company.

Tallest Building In Hong Kong Has Bad Vibes

HONG KONG — The Bank of China building, which will be Hong Kong's tallest structure when completed, is out of harmony with its surroundings and could bring misfortune, according to a feng shui expert quoted Wednesday.

Sung Siu-kyong studied the building, designed by the Chinese-born American architect I. M. Pei, and said it resembled the pyramids of Egypt and thus was inauspicious, the South China Morning Post reported.

Feng shui, meaning wind and water, is the traditional Chinese art of studying the harmony of an object in its relationship to natural elements.

The 73-story building, on the outskirts of Hong Kong's financial hub, the Central District, will be a prism-like skyscraper consisting of four triangular glass and metal shafts emerging from a granite base. The building, Bank of China's Hong Kong headquarters, is to be completed in 1988.

Sony Says Net Plunged 56% In Period as the Yen Soared

TOKYO — Sony Corp., the Japanese maker of video and audio goods, said Wednesday that the strong yen slashed profit by 56 percent in the five months ended March 31 and that the outlook for its current fiscal year was "dismal."

Net group profit plunged to 13.26 billion yen (about \$95 million at current exchange rates) from 30.13 billion yen in the comparable five-month period of the previous fiscal year, Sony said.

The company reported for only five months because it is in the process of changing its fiscal to begin on April 1 instead of Nov. 1.

Although sales rose on a non-year basis in the United States and Europe, profits slumped because of the conversion into the strong yen, Sony said.

The yen has appreciated by about 45 percent against the dollar over the past year and a half. Its rise also has hurt Japanese manufacturers by boosting the overseas prices of their products.

Sales fell about 5 percent, to 547.8 billion yen from 577.9 billion a year earlier, as the dollar's value declined to an average 156 yen from 193.

"The outlook for the next fiscal year is dismal," the company said in a statement, predicting that the yen would remain strong.

Sony's sales of video equipment, its major product, dropped sharply in the five-month period along with sales of television sets. But it said that sales of audio equipment and other goods had been favorable.

Sony said it was optimistic, however, that its group profit would rise 20 percent, to 30 billion yen, in the financial year beginning April 1, 1988.

Charles Schwab Ponders Initial Public Offering

SAN FRANCISCO — Charles Schwab Corp., parent of the largest U.S. discount brokerage firm, Charles Schwab & Co., said it is considering an initial public offering of its common stock.

It did not specify the size or timing of any offering. The subsidiary, sold by BankAmerica Corp. in February, posted earnings of about \$32 million in 1986 on sales of about \$308 million.

GEC Profit Will be Lower Than Expected, Official Says

By Warren Geder
International Herald Tribune

LONDON — General Electric Co. PLC, the British conglomerate at the center of recent takeover rumors, will post a lower-than-expected pretax profit of about \$650 million (\$1.09 billion) for the fiscal year ended March 31, a senior executive estimated Wednesday in an interview.

The figure, based on an incomplete audit, represents a 7 percent decline from \$701 million in earnings the previous year and is lower than analysts' projections. They have forecast that General Electric will post a profit between \$675 million and \$690 million.

The company official cautioned that his estimate could change when GEC reports its fiscal 1987 earnings in early July. GEC, an electronics, telecommunications, engine and arms conglomerate, is not related to General Electric Co. of the United States.

Separately, Hanson Trust PLC denied Wednesday any intention to launch a bid for GEC and emphasized that it did not own a single share in the conglomerate. Persistent rumors earlier this week suggested that Hanson had acquired a 2 percent holding in GEC to lay the groundwork for a bid.

Italy Sets Back ENI-Montedison Merger Talks

ROME — Prospects for an early and comprehensive restructuring of Italy's chemical industry were dealt a blow Wednesday by Cletto Darida, the minister for state industries.

Citing the "strategic" importance of maintaining a strong government presence in the industry, Mr. Darida stated that a withdrawal of ENI from chemicals is inconceivable.

Ente Nazionale Idrocarburi, or ENI, is the state energy and chemical holding company. It has been talking with Montedison SpA, the Italian chemical company, on merging chemical operations.

A merger would have created a company with combined annual revenues of about 16 trillion lire (about \$12 billion), making it the world's sixth-largest in sales, following Imperial Chemical Industries PLC of Britain and ahead of Ciba Geigy AG of Switzerland.

De Benedetti Confirms He Is Subject of Probe

ROME — The chairman of Olivetti SpA, Carlo de Benedetti, confirmed Wednesday that he had received notice from magistrates that his role during a brief period as vice chairman of Banco Ambrosiano was under investigation.

Banco Ambrosiano collapsed in August 1982.

Grace, Berisford Mull Cocoa Merger

ROTTERDAM — W.R. Grace & Co. of New York and S&W Berisford PLC of Britain are discussing merging their cocoa-processing interests to form one of the largest cocoa businesses in the world, a spokesman for Berisford Cocoa Nederland BV said Wednesday.

He said that the merger would involve five cocoa processing plants: Berisford Cocoa and Cacaofabriek de Zaai of the Netherlands, Koscho of West Germany, Zaan Far East of Singapore and Ambrosia of the United States.

The five produce a total of about 180,000 metric tons (198,000 short tons) of cocoa a year. The talks are a result of the increasing concentration of international cocoa-processing businesses, the spokesman said.

Weekly net asset value

Tokyo Pacific Holdings N.V.
on May 18, 1987: U.S. \$216.12
Listed on the Amsterdam Stock Exchange

Information: Pierson, Heiding & Pierson N.V., Herengracht 214, 1016 BS Amsterdam.

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SALES-MARKETING DIRECTOR, age 42, graduate of ESSEC, 16 years experience in U.S.A.K. consumer goods major firms. RESEARCH U.S.-A.K. category French subsidiary to be launched and/or managed. Ref: Paris-Cadres / 572.

SOLID EXECUTIVE for Africa, 10 years experience. Ex-French foreign affairs. Knowledge of local elites. Able to run or check a structure in a difficult environment. Ref: Paris-Cadres / 573.

BUSINESS Administration & Data processing, 37, Post-Graduate degrees, 14 years experience as D.P. Manager, Vax network relational - DB, IBM 34. Controller reporting financial accounting, SEKS position Paris or international according to experience. Ref: Paris-Cadres / 574.

GENERAL MANAGER Overseas subsidiary French service group, SEKS similar position, 37 years, engineering degree, fluent French, English, Portuguese, 12 years experience managing profit centers, leading teams & developing activities in South America and Far East. Ref: Paris-Cadres / 577.

COMPUTER ENGINEER, Master in pattern recognition & artificial intelligence, 5 years experience. LOOKING FOR a job in robot, signal processing (image, speech), life-part systems process control or automatic control systems, fluent French, great mobility. Ref: Paris-Cadres / 574.

SALES MANAGER, 26, international business school, fluent French, English and German, 2 years experience in international sales and negotiation and work abroad, SEKS an export sales job in international companies. Ref: Paris-Cadres / 575.

SPECIALIST EXPORT, 20 years experience Electrodynamic Electronics, 3 languages excellent field experience seeking 100% related employment free to join your management staff HP - Ref: Paris-Cadres / 578.

PRODUCT MANAGER Technical skills in earth moving and drilling machinery wide knowledge an African latin American markets and personnel speaking English, French, Spanish, Portuguese, SEKS position in company involved in export of equipment or technology. Ref: Paris-Cadres / 579.

DEBILING COMPLETION and work-over supervisory French, fluent English and Portuguese, 20 years experience abroad with former experience as well the P.E. and geologist, LOOKS FOR supervisory job in the oil-field. Ref: Paris-Cadres / 580.

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MANAGING AND COMMERCIAL 30, large experience in services and international shipping, fluent English and Arabic, very good experience Middle East markets negotiations on high level available, will take all challenges and accept foreign assignments - Ref: Paris-Cadres / 583.

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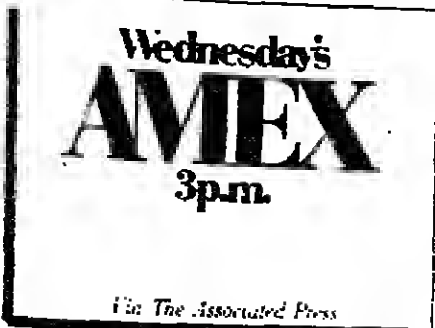
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IFT 21/5



In The Associated Press

12 Month High Low Stock Div. Yld. PE 30 Day Avg. Price

Table with columns: 12 Month High Low Stock Div. Yld. PE 30 Day Avg. Price. Lists various international stocks and their performance metrics.

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INTERNATIONAL FUNDS (Quotations Supplied by Funds Listed) 20th May 1987

Net asset value quotations are supplied by the Funds listed with the exception of some quoted based on issue price.

The marginal symbols indicate frequency of quotations supplied: (d) - daily; (w) - weekly; (b) - bi-monthly; (r) - quarterly; (i) - irregularly.

Large table listing various international funds with columns for fund name, net asset value, and other details.

Floating-Rate Notes

May 20

Table listing floating-rate notes with columns for currency, issuer, and other details.

Pounds Sterling

Table listing Pounds Sterling notes with columns for issuer, amount, and other details.

Deutsche Marks

Table listing Deutsche Marks notes with columns for issuer, amount, and other details.

Japanese Yen

Table listing Japanese Yen notes with columns for issuer, amount, and other details.

Looking for an International Manager?

60%* of IHT readers hold management positions. 82%* are with companies having international operations. 56%* have responsibilities for international operations.

International positions the IHT's international recruitment section appears every Thursday. It is seen by international executives in 164 countries.

* Source: 1986 Reader Survey by Research Services Ltd., London (percentage based on readers in employment).



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CURRENCY MARKETS

Dollar Eases After Citicorp Move

LONDON — The dollar closed marginally lower Wednesday in Europe, with dealers perplexed over the likely impact on foreign exchange markets of Citicorp's allocation of \$3 billion to its loan-loss reserves.

Table with 2 columns: Currency, Rate. Includes London Dollar Rates for various currencies like Deutsche mark, Swiss franc, etc.

But traders also cited caution over reported central bank intervention to support the dollar. The dollar fell briefly below 1.77 Deutsche marks in early trading, but the market lacked fresh incentives to push it down further.

Japan to Relax Overseas Futures Ban on Friday

TOKYO — A ban on overseas trading of financial futures and options will be officially lifted Friday for some Japanese institutions, a Finance Ministry official said Wednesday.

YEN: As Japanese Sourcing Turns Costly, U.S. Firms Try to Hedge Their Bets

Moreover, he said, Japanese suppliers are seeking to have the adjustments, which are usually based on average exchange rates in a recent three- or six-month period, made sooner and more frequently.

Gold Hits 4 1/2-Year High on Citicorp Action, Then Eases

LONDON — Worries about the developing country debt problem and the health of the banking system propelled the gold price about \$13 higher at one point in trading Wednesday from Tuesday's finish.

After the Citicorp action, financial markets worried that other banks would have to take similar action, reducing their earnings.

Later, however, dealers in Europe grew somewhat less nervous. The dollar steadied and gold — a safe haven for investors in time of stress in the global economy — eased back to a London morning setting at \$479.95.

Mr. Luetolf, who coordinates his bank's debt strategy, said, "I welcome this step. It's absolutely right. We banks have to build up reserves. People will very quickly realize that the increase in reserves will have a stabilizing effect."

Citicorp Loan Loss Reserve Clouds Prospects on Debt Crisis

WASHINGTON — Citicorp's decision to set aside \$3 billion to protect its loan losses has taken the Third World debt crisis into uncharted territory.

If other banks followed Citicorp, "that means they won't be lending more money, and that could seriously strain political stability" in debtor countries.

In Rio de Janeiro, Brazil's finance minister, Luis Carlos Bresser Pereira, said Wednesday that debt talks between Brazil, the developing world's largest debtor, and foreign banks would not be affected by Citicorp's move.

The plan, known as the "menu of options approach," calls on banks to consider swapping debt for shares in debtor country corporations and to respond to other innovative suggestions on exchanging debt for investment instruments.

YEN: As Japanese Sourcing Turns Costly, U.S. Firms Try to Hedge Their Bets

Moreover, he said, Japanese suppliers are seeking to have the adjustments, which are usually based on average exchange rates in a recent three- or six-month period, made sooner and more frequently.

The yen has reached such heights that even some of the U.S. companies that had currency protection can no longer afford their agreements to outsource from Japan.

Price increases may be bearable if the item in question accounts for a small part of a product's total cost. It can be a major component, though, if the item is a major component or an entire product.

Modern manufacturing strategies are making companies increasingly reluctant to abandon dependable suppliers. Even companies once famous for their fierce independence, such as Kodak and International Business Machines Corp., now preach the virtues of forging alliances with suppliers.

Wednesday's OTC Prices. NASDAQ Prices as of 2 P.M. New York Time. Via The Associated Press.

Table with columns: 12 Month High, Low, Stock, Div. Yld., Sales in 1986, High, Low, 2 P.M. Close, Net Chg.

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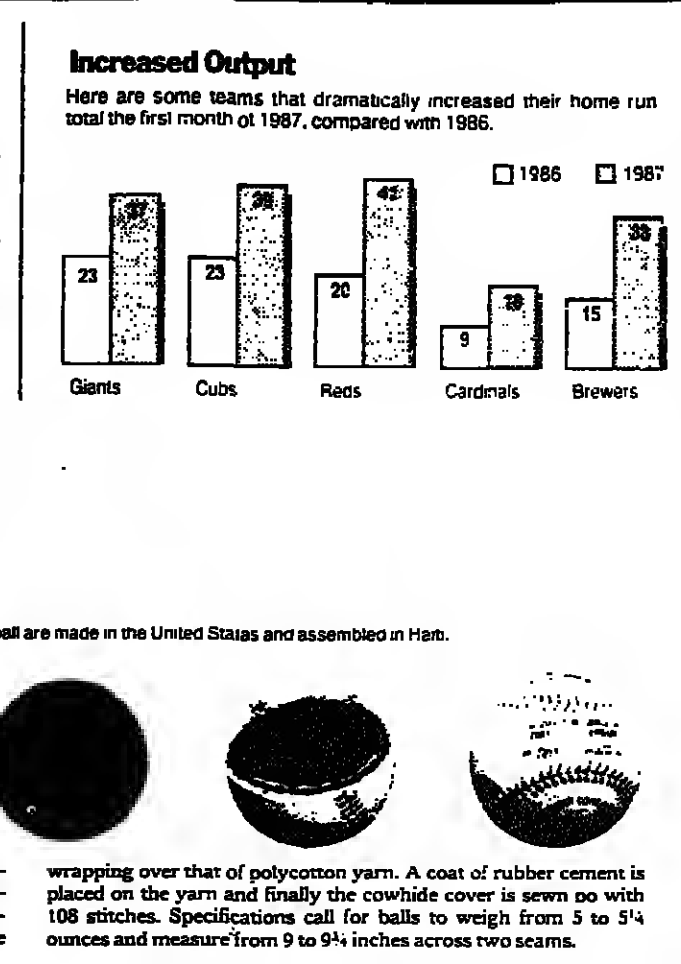
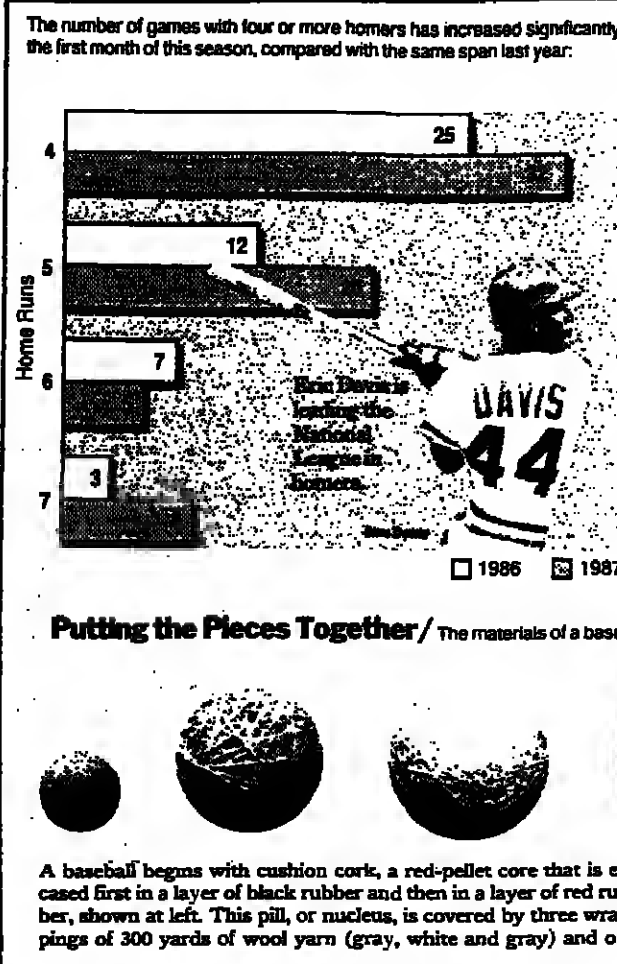
Table with columns: 12 Month High, Low, Stock, Div. Yld., Sales in 1986, High, Low, 2 P.M. Close, Net Chg.

SPORTS

Going, Going...

By Richard Justice

ANAHEIM, California — Something incredible has happened to the game of major league baseball during the last three seasons: home runs...



Putting the Pieces Together / The materials of a baseball are made in the United States and assembled in Haiti.

A disclaimer: "When I'm in a good pitching groove, I don't see any difference at all. The balls I think should be caught are caught, and the ones that would have been out 10 years ago are not any further out."

Major league baseball still come from the Rawlings Sporting Goods Co. of St. Louis, although they are made in Haiti. The Rawlings people say that, other than switching from horsehide to cowhide in 1974, the balls haven't changed in 19 years.

All's Right With the World Again at Wrigley

By Ira Berkow
New York Times Service
CHICAGO — For nearly two months, the faithful at Wrigley Field had risen for the seventh-inning stretch, turned west to an empty window in the broadcasting booth and sang "Take Me Out to the Ball Game."

Ailing Celtics Wound Pistons, Lakers Go 2-0 on SuperSonics

Compiled by Our Staff From Dispatches
BOSTON — With Danny Ainge on the bench with a sprained right knee, the Boston Celtics' game plan Tuesday night was for Jerry Sichting, his backcourt replacement, to take the open jump shot when it was there.

... It's Far Out

that more veterans are hanging on past their prime and that more youngsters are being rushed through, or past, the minor leagues. "It's getting ridiculous," said one American League general manager.

Cubs Win Singularly, Orioles Homer Onward

Compiled by Our Staff From Dispatches
CHICAGO — The Chicago Cubs, with 53 home runs, took a shorter route Tuesday to defeating the Cincinnati Reds, getting 14 singles and a double during a 9-2 victory that extended their winning streak to five games.

Transition

BASEBALL
CLEVELAND — Colted on Dave Clifton, outfielder from Buffalo of the American Association, to a contract with Omaha, American Association.

PGA Leaders

PGA TOUR LEADERS
PGA TOUR LEADERS THROUGH THE COLLEGE NATIONAL INVITATION, ENDING MAY 17: BARNHORN

NBA PLAYOFFS

rebounds, the Celtics overwhelmed the Pistons, 104-91, in the opener of the National Basketball Association's best-of-four-of-seven-game Eastern Conference title series.

SCOREBOARD

Baseball
Tuesday's Major League Line Scores
AMERICAN LEAGUE
Milwaukee 200 000-3 7 0
Cleveland 000 000-4 1 0

Transition

BASEBALL
CLEVELAND — Colted on Dave Clifton, outfielder from Buffalo of the American Association, to a contract with Omaha, American Association.

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PGA TOUR LEADERS
PGA TOUR LEADERS THROUGH THE COLLEGE NATIONAL INVITATION, ENDING MAY 17: BARNHORN

ESCORTS & GUIDES

INTERNATIONAL CLASSIFIED
(Continued from Back Page)
ESCORTS & GUIDES
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GENEVA + DESIREE+
ESCORT SERVICE 022/ 21 99 61

Major League Standings

AMERICAN LEAGUE
East Division
New York 25 14 411
Toronto 20 15 395 2

Hockey

NHL Playoff Leaders
(Trough May 10)
SCORING
A Pts Pim

Soccer

EUROPEAN CHAMPIONSHIP
San Francisco 23 14 410
Chicago 22 14 379 19

